

MULTINATIONAL CORPORATIONS AND UNITED STATES FOREIGN POLICY

HEARINGS
BEFORE THE
SUBCOMMITTEE ON
MULTINATIONAL CORPORATIONS
OF THE
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE
NINETY-FOURTH CONGRESS
SECOND SESSION
ON
LOCKHEED AIRCRAFT CORPORATION

PART 14
FEBRUARY 4, AND 6; AND MAY 4, 1976



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LOCKHEED AIRCRAFT CORP.

WEDNESDAY, FEBRUARY 4, 1976

**UNITED STATES SENATE,
SUBCOMMITTEE ON MULTINATIONAL CORPORATIONS
OF THE COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.**

The subcommittee met, pursuant to notice, at 10:01 a.m., in room 4221, Dirksen Senate Office Building, Hon. Frank Church (chairman of the subcommittee) presiding.

Present: Senators Church, Clark, Pearson, and Percy.

Also present: Jerome Levinson, Counsel; Jack Blum, Associate Counsel.

Senator CHURCH. The hearing will please come to order.

OPENING STATEMENT OF SENATOR CHURCH

We will hear today first from Lockheed's auditing firm, Arthur Young & Co., and then from the responsible Lockheed executives themselves, about bribes and questionable political payments made in Europe and Japan.

We will find that the company has used an off-the-books account to buy business intelligence and pay the officials of major European airline consortia, that include Lufthansa, SAS and Swiss Air; we will see that Exxon and the CIA have not been the only ones making million dollar political contributions to parties and government ministers in Italy, thus providing the Italian Communist Party with its strongest election issue, corruption; and, most disturbing of all, we will show that Lockheed has for many years employed as its agent, a prominent leader of the ultra right wing militarist political faction in Japan and has paid him millions of dollars in fees and commissions over the last few years.

In effect, we have had a foreign policy of the U.S. Government which has vigorously opposed this political line in Japan and a Lockheed foreign policy which has helped to keep it alive through large financial subsidies in support of the company's sales efforts in that country.

We had better make up our minds whether we are going to have a United States or a corporate foreign policy. And it is high time that both the Congress and the administration come to grips with this fact.

The amendment that I have sponsored to the Arms Export Control Act of 1975, which calls for public disclosure of all agents' fees and commissions on arms sales would do just that. The payment of bribes disguised as agents' fees in connection with the sale of

arms is particularly pernicious. As the Arms Control bill recognizes, the sale of arms is not a business like any other business, and the widespread practice of promoting arms exports by bribery cannot be permitted to go uncontrolled.

It would be the height of irresponsibility for the Congress at this time to give in to the tremendous lobbying campaign that is now being waged by the corporations against legislation to control arms exports and foreign agents' fees and to adopt the present administration's attitude of, "See no evil, hear no evil." The long term foreign policy interests of the United States must take precedence over whatever short term economic gain might be had by fueling the international arms race with American weapons.

Now, there is presently a vote on in the Senate which will delay our proceedings for a few minutes. During the time that I am absent to vote, I would ask Mr. Levinson to explain to the press what the material is that has been circulated. Several questions have been asked me regarding the nature of the material, and Mr. Levinson, if you will make that explanation at this time, I will come back as quickly as possible.

MATERIAL DISTRIBUTED BY THE SUBCOMMITTEE

Mr. LEVINSON. What we have given you is a distillation of documents which the subcommittee obtained by subpoena directly from the Lockheed Corp. and from Arthur Young, the independent auditors employed by Lockheed.

We have not separately identified those documents that we derived from Lockheed directly and those that we derived from the subpoena issued to Arthur Young & Co. However, the newspaper explanations of the Japanese agent are based upon research that was done for the subcommittee by the Congressional Research Service; thus, what you have are papers drawn from the files of either the Lockheed Corp. or the Lockheed Corp. through Arthur Young and Co., the independent auditors.

[The information referred to follows:]

**DOCUMENTS FROM ARTHUR YOUNG & COMPANY AND THE
LOCKHEED AIRCRAFT CORPORATION RELATING TO AGENT'S FEES
AND FOREIGN POLITICAL CONTRIBUTIONS**

**Released by the U.S. Senate Subcommittee on Multinational
Corporations, Committee on Foreign Relations**

II. The Off-the-Books Account

PRESENTATION BY ARTHUR YOUNG & COMPANY TO
THE BOARD OF DIRECTORS OF LOCKHEED AIRCRAFT CORPORATION

July 7, 1975

Following our report to the Audit Committee and the Board of Directors on June 23, 1975, the team of Lockheed and Arthur Young & Company personnel continued its review of international marketing consultant agreements and payments made in connection with them. That review is now substantially completed and we have a few additional matters to bring to your attention.

Before proceeding, you should be aware that most of what we described to you on June 23 and what we will be describing today is based on oral representations from various Lockheed employees. Generally speaking, available documentation indicates that most of the fee and commission payments made by the company have been pursuant to bona fide marketing consultants and, in recent years, within the framework of the defacto policy we described to you two weeks ago.

It appears to us that Lockheed employees have varying degrees of knowledge and control over the use of funds by marketing consultants. In three cases it appears that the marketing consultants were used primarily to channel funds to various recipients at the direction of Lockheed employees. The amounts of money and dates over which payments have been made in these three instances are:

1. Approximately \$2,837,900 from 1970 to the present.
2. Approximately \$2,018,000 in 1970 and 1971.
3. Approximately \$200,000 in 1972 and 1973.

In addition, we have encountered several payments made during the five year period, generally of minor amounts, but ranging from \$2,500 to \$75,000, which may represent one time payments to employees of customers or foreign governments. There are probably additional such items that have not come to our attention. The aggregate amount of such items does not appear to be material.

Now we come to a second matter which causes us considerable concern. When we met with you last we reported to you that all payments to marketing consultants had been accounted for within the accountability system of Lockheed and that there had been no establishment of funds outside the Lockheed system of accountability which remained under the control of a Lockheed officer or employee. It has now come to our attention that such a fund was maintained although, in our opinion, the amounts involved are relatively immaterial. However, it is also our opinion that the creation and maintenance of such a fund outside the system of corporate accountability is itself a material fact of which the Board should be aware.

As best we can reconstruct the circumstances, they are as follows. In 1968 and 1970, checks in the amounts of \$250,000 and \$75,000 were paid to a marketing consultant. These funds were passed through to the trust account of a foreign law firm after a deduction of \$10,000 by the consultant. Two payments aggregating \$125,000 were made from the trust account leaving a balance of \$190,000 in the account. Some time prior to December 1972 the trust account was converted to currency and deposited in a safety deposit box. / In December 1972 and May 1973 two payments aggregating \$426,000 were purportedly made to a marketing consultant. Of these payments, \$400,000 was converted to currency and deposited in the safety deposit box making a total of \$590,000 available at that time. Subsequently, approximately \$130,000 was dispersed from the account. We are advised that \$85,000 was paid to an official of a customer airlines and two payments totaling \$45,000 were paid to a marketing consultant for reasons that are not clear. After making these payments and providing for minor bank charges, approximately \$458,000 remained in the safety deposit box. It was removed last week and deposited in a company checking account.

We urge in the strongest terms that Lockheed move immediately to tighten control and establish policy that is recognized throughout the corporation over the use of, and payments to, international marketing consultants and others. As reported to you two weeks ago, it is our opinion that the defacto policy which many company officials thought was being adhered to, should be formalized as official policy after the modifications we have suggested.

7/2/5

ACK

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\$100,000 } pd — ACK
 25,000 } "not at liberty
 to describe"

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 sewer charge

85 — Went to official
 cost account?
 I lump together

20 — Sewer charge to I.D.
 25 — — — — I.D.

III. LOCKHEED AGENTS IN JAPAN

August 9, 1973

I received One Hundred Peanuts.

Hiroshi Itoh
Hiroshi Itoh

SOURCE: "NATIONALISM AND THE RIGHT WING IN JAPAN, A STUDY OF POSTWAR TRENDS," by Dr. Ivan I. Morris, Oxford University Press, 1960.

KODAMA YOSHIO (b.1911): nationalist leader active in many pre-war societies since 1929 when he joined Dr. Uesugi's National Founding Association (*Kenkoku Kai*). In 1932 he founded the Independence Youth Society (*Dokuritu Seinen Sha*), which was reportedly involved in an abortive plot to kill the Prime Minister, Admiral Saitō. Kodama was arrested on numerous occasions for his obstreperous ultra-nationalist activities. Later, however, he was sent to China, where he was attached in a semi-official capacity to the Imperial Army Headquarters. He organized the Kodama Agency and amassed an immense fortune by his purchasing activities (allegedly by buying looted goods). At the end of the war he was appointed as an adviser to the Prime Minister, Prince Higashikuni, but shortly thereafter he was tried and sentenced as a Class A war criminal. He was in Sugamo Prison from 1945 to 1948. On his release he used his earlier contacts and his personal fortune to establish close relationships with various conservative leaders, including Miki Yukichi, Hatoyama Ichirō, Kōno Ichirō, and Ogata Taketora. Kodama is considered to be extremely influential as an undercover man in conservative and financial circles. At the same time he maintained links with former military men and rightists like ex-Col. Tsuji, ex-Lt.-Gen. Nemoto, Matsugi Yoshikatsu, and Akao Bin. Kodama's autobiography (which appeared in 1949 in an English edition with the title *I Was Defeated*) provides a valuable record of the evolution of a professional Japanese nationalist.

SOURCE: "BLACK STAR OVER JAPAN, RISING FORCES OF MILITARISM," by Albert Axelbank, Hill & Wang, 1972

THE SUPERPATRIOTS

91

as credulity, a sense of justice, a lust for knowledge, and curiosity and an imitative nature.

With the reverse trend that emerged during and after the U.S. Occupation, many formerly active ultranationalists reappeared on the public stage. They seem to have had little trouble in attracting eager young partisans. Today the ranks of the right-wing leadership include Buddhist priests, teachers in rural schools, small businessmen, local politicians, and ex-soldiers. All are steeped in patriotism and the traditional values.

Most ultrarightist chieftains have gone through elementary and secondary school but not beyond. Many are first-rate orators who can hold a large audience spellbound, especially if it consists of naïve youths and workingmen. They live on generally meager wages but, being zealots, they thrive on a spartan regimen. Many engage in daily practice of the martial arts. Most, if not all, give a certain portion of each day to reciting Buddhist sutras, or sit in Zen meditation. Their home life appears to be bleak. Their allegiance is to Emperor, flag, and country; everything else is of lesser importance.

Yoshio Kodama is one of the prominent rightists who made a successful comeback from a cell in Tokyo's Sugamo Prison, where he spent three years as a Class-A War Criminal. His credo on patriotism is simple: "Shed your blood for the state, shed tears for your friends, and sweat for your family." At present, Kodama sits at or near the top of Japan's rightist hierarchy.

The mere mention of Kodama's name occasions frowns among many Japanese citizens. Kodama, born in 1911, was a wartime manipulator and an undercover agent. He gained money and power through his Kodama Organ in China, which procured supplies for the Japanese Navy.

there were daily anti-Kishi and anti-security-treaty protest demonstrations that were nearing the level of mass hysteria. The 1960 "demos," as demonstrations are called in Japan, had the possibility of endangering Eisenhower's life if he visited Japan. Many Japanese were angry at the Kishi Administration for forcing ratification of the Japanese-American Security Treaty through the Diet. They felt that the treaty was more a liability than a safety measure for Japan.

Each day the situation became more grave; the demos increased, and the tens of thousands of demonstrators and police outside the Diet Building made it look as if the Diet were under siege. One university coed had been crushed to death in front of the Diet; several hundred persons already had been injured. The situation appeared to be getting out of hand.

The police could mobilize approximately fifteen thousand men to protect "Ike." But thousands more were needed to guard the road from the airport to the heart of Tokyo. Eisenhower and Emperor Hirohito were scheduled to ride together from the airport.

One man called in to help was Yoshio Kodama. He has said he controls about 60 per cent of the Japanese right wing, although some observers say it is closer to 90 per cent if, for example, he wished to recruit rightist activists under the banner of anti-Communism. Reports say that about \$2.3 million was pledged by businessmen, racketeers, and right-wing groups to Operation Protect Ike. This money was to be used to provide helicopters, trucks, cars, and first-aid stations to the hired right-wing guards.

The Prime Minister is said to have considered calling out the Self-Defense Forces, but was wisely counseled against this move by one of his aides. The pent-up feelings

Error Shall Not Be Repeated." The campaign is led by Yoshio Kodama.

✓ Kodama, who has been an adviser and financial backer to the ruling party, attained questionable fame in 1970 when he composed a racial song evoking memories of Nazi Party rallying songs of World War II. Kodama titled his song, *Minzoku no Uta* ("The Song of the Race") and it was first performed publicly at Tokyo's plush Okura Hotel before three thousand eminent guests, including former Prime Minister Nobusuke Kishi and industrial and political leaders. "The Song of the Race" cries out for revival of the kamikaze attack spirit, including absolute devotion to the state and a willingness to die for a racial-nationalist goal. American journalist David Conde describes the song as one "seeking restoration of power to the Emperor with its intimation of a militarily achieved nationalism-socialism accomplished at gun-point in a *coup d'état*, all reeking with racism." ✓

After studying Japanese life for over ten years, Dr. F. Kenneth Berrien, a social psychologist at Rutgers University in New Jersey, offers this conclusion: "Japanese society shows strong signs of reversion to many of its original characteristics as an autocratic society." The survey, sponsored by the United States Navy, was completed in 1969 and confirms this author's observations about the anachronisms prevalent in Japanese society. Dr. Berrien and his team of researchers reported that many rural communities were undemocratically run. Leaders were invariably chosen not for their talents but because of their power and influence.

As noted, there is in Japanese society a continuing emphasis on the martial arts, which have a close association with the iron discipline of the warrior. In schools and

TIME Nov. 13, 1972
AVIATION

Somebody Up There Likes Lockheed

In a major deal that was heavily freighted with international politics, Japan's All Nippon Airways last week ordered six of Lockheed's L-1011 TriStars, which are powered by Britain's Rolls-Royce engines. The \$130 million sale was a sorely needed and roughly won victory for Lockheed, which was saved from bankruptcy by a \$250 million federal loan guarantee 14 months ago and is counting considerably on the TriStar for its future. The plane nosed out McDonnell Douglas's DC-10 and a short-range version of Boeing's 747 for the All Nippon air-bus business. Beyond the prospect of additional sales of the 300-passenger planes to All Nippon, a big domestic carrier, the deal gives Lockheed its first firm commercial foothold in the Asian market. Says Lockheed President Carl Kitchian, who has been camping in Tokyo for four months: "We won this contract against great initial odds."

Japanese officials are sure that All Nippon's choice will be gratefully received by the U.S. and British governments. At the Hawaii summit in August, President Nixon prodded Prime Minister Kakuei Tanaka to have Japan

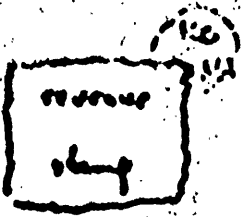
buy more American goods, including aircraft, to help reduce the U.S. trade deficit. Half a dozen of Japan's newspapers, including Tokyo's large *Yomiuri Shimbun*, carried reports that Nixon feels a special responsibility to keep Lockheed viable, and that he put in a good word with Tanaka specifically for TriStar. In September Britain's Prime Minister Edward Heath, also worried about trade deficits, urged Japanese officials in face-to-face meetings in Tokyo to have Japan buy aircraft equipped with Rolls-Royce engines. The Japanese took these proddings most seriously, and the only way that they could satisfy both Nixon and Heath was to have a Japanese airline buy the TriStar.

Old Wish. To accomplish that, according to reports in the Japanese press, Tanaka would offer to grant All Nippon one of its long-cherished wishes: overseas routes within Asia. Officials of major Japanese trading houses, who represented the three competing U.S. companies in the negotiations, say that Lockheed was definitely given special consideration by the Japanese. Of All Nippon's decision to buy TriStar, Toru Fukinishi, deputy general manager of the country's international carrier, Japan Air Lines, said: "I was somewhat amazed at this choice." JAL itself last week bought four short-range versions of Boeing's 747.

Though All Nippon and Lockheed vigorously deny that any political pressure was applied, the deal was indeed remarkable. All Nippon's officials say that the key factor in ordering the TriStar was the relative quiet of its engines; yet in noise tests in Osaka and Tokyo, the L-1011 did no better than the McDonnell Douglas DC-10. Moreover, an industry-wide comparison study in the U.S. shows that TriStar's Rolls-Royce engines have had to be removed for maintenance at a rate about three times that of the DC-10's General Electric engines. Early comparison tests also show that the TriStar's Rolls-Royce power plants gulp much more fuel than the DC-10's GE engines, though steps are being taken to correct that problem, at least partially.

The Japanese purchase should enable Lockheed to borrow more money from bankers, who have been holding back until the All Nippon deal was closed. Most of what is left of Lockheed's \$250 million Government-

backed loan is tied up in production of the 3,400-mile-range conventional TriStar. The company now needs between \$80 million and \$100 million to expand its potential market by developing a 4,200-mile-range TriStar.



Receipt

Amount Ninety Five Million Yen Only

Have duly received the above
 Showa 47th Year Nov. 2
 (1972)

Kodama Yoshio



LOCKHEED AIRCRAFT INTERNATIONAL, INC.
MEMORANDUM

J. W. Clyne
ser. 95-01 702 A-1
DAM - April 3, 1972
ZUS/2206

5

TO: E. H. Schattenberg
ser. 1-120 7
ext. 205

FROM: L-1011 MARKETING SERVICE

Enclosed is our Invoice No. A-652 in the amount of \$128,617.37 for L-1011 Marketing services. This amount was advanced by LAI, Inc. for the purchase of forty (40) million Yen on February 3, 1972. Your usual prompt approval of our request for reimbursement will be sincerely appreciated.

E. H. Schattenberg
E. H. Schattenberg
5 Treasurer 7

EHJ:das
Enclosure

-321-
Schattenberg's thing, G. H. Kelly says he doesn't know what it's for, suggests holding for Clyne. It is a Kutchion program. REG 4/7/72

LOCKHEED PRIVATE DATA

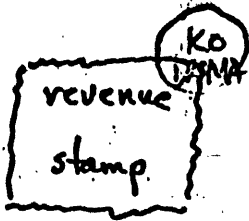


Receipt

Amount Eighty Five Million Yen Only ⁵

Have duly received the above
Showa 47th Year Nov. 2
(1972)

Kodama Yoshio (KO CHINA)

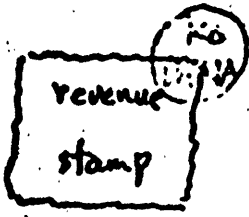


Receipt

Amount Ninety Million Yen Only

Have duly received The above
Shawa 47th year Nov. 3
(1972)

Kodama Yoshio 



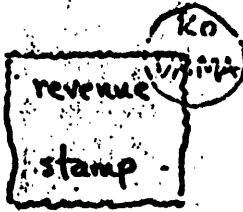
Receipt

Amount Eighty Million Yen Only

Here duly received the above
Showa 47th Year Nov. 4
(1972)

Kodama Yoshio





Receipt

Amount Seventy Five Million Yen Only

Have duly received the above
 Showa 47th Year Nov. 6
 (1972)

Kodama Yoshio



FOREIGN MONEY TRANSFER RECEIPT

NON-NEGOTIABLE

Received From Lockheed Aircraft International, Inc.
510 West 6th Street
Los Angeles, California 90014

The Sum of Three hundred thirty seven thousand eight hundred thirty seven & 64/100 Dollars U.S. \$ 337,837.64
 For the Transfer of One hundred twenty five million Only Japanese Yen ¥ 125,000,000

TO Mr. A. W. Elliott
Osaka Hotel
Tokyo, Japan
 Deliver on Sunday January 31st - if impossible on Sunday deliver on
Saturday Jan. 30th. Contact Mr. Elliott ONLY at hotel.

By ☐ Air Mail ☒ Cable Rate 370 Per Dollar

Amount of Transfer U.S. \$ 337,837.64
 Commission & Air Mail Charge none
 Special Handling none
TOTAL RECEIVED \$ 337,837.64 By [Signature]

DEAK & CO. OF LOS ANGELES, INC.
 as agents of Deak & Co. of California, Inc.

This transaction subject to conditions on reverse side.
 Keep this receipt, do not send it abroad. All inquiries must be accompanied by this receipt.

FILE COPY

LOS ANGELES, CALIFORNIA
300 WEST 6TH STREET
FOREIGN CURRENCY SPECIALISTS
TELEPHONE (213) 427-4471
AGENTS OF DEAK & CO. OF CALIFORNIA, INC. A CORPORATION LICENSED BY THE STATE OF CALIFORNIA FINANCIAL INSTITUTION

NON-NEGOTIABLE
WE ADVISE PAYMENT

Received From Lockheed Aircraft International, Inc.
510 West 6th Street (Federal Tax No. 85-0941880)
Los Angeles, California 90014

The Sum of Five hundred seventy five thousand five hundred seventy five & 76/100 Dollars U.S. \$ 575,575.76
 For the Transfer of Two hundred million Only Japanese Yen ¥ 200,000,000

TO Mr. J. M. Clutter Telephone: Office: (03) 214 - 0511
Tokyo 106, Japan Home: (03) 583 - 2765

Call Mr. Clutter in advance of delivery

By ☐ Air Mail ☒ Cable Rate 264 Per Dollar

Amount of Transfer U.S. \$ 575,575.76
 Commission & Air Mail Charge none
 Special Handling none
TOTAL RECEIVED \$ 575,575.76 By [Signature]

DEAK & CO. OF LOS ANGELES, INC.
 as agents of Deak & Co. of California, Inc.

This transaction subject to conditions on reverse side.
 Keep this receipt, do not send it abroad. All inquiries must be accompanied by this receipt.

CUSTOMER'S RECEIPT

LOS ANGELES, CALIFORNIA
300 WEST 6TH STREET
FOREIGN CURRENCY SPECIALISTS
TELEPHONE (213) 427-4471
AGENTS OF DEAK & CO. OF CALIFORNIA, INC. A CORPORATION LICENSED BY THE STATE OF CALIFORNIA FINANCIAL INSTITUTION

No. FX 0342

May 31, 1973

o/k

Two hundred forty million Only Japanese Yen ¥ 240,000,000.—

TO Mr. J. W. Clutter Telephone:
Office (03) 214 - 0511
Tokyo 106, Japan Home: (03) 583 - 2765

Call Mr. Clutter in advance of delivery

By ☐ Air Mail ☒ Cable Rate Per Dollar

Amount of Transfer	U.S. \$	909,091.24
Commission & Air Mail Charge		---
Special Handling		---
TOTAL RECEIVED	\$	909,091.24

DEAK & CO. of LOS ANGELES, INC.
an agent of Deak & Co. of California, Inc.

By *[Signature]*

This transaction subject to conditions on reverse side. **ART**
Keep this receipt, do not send it abroad. All inquiries must be accompanied by this receipt. **CUSTOMER'S RECEIPT**

5
6 January 1973

RECEIPT

2

No

4950

Crédit Suisse
Place Bel-Air 2
1200 Genève

Gentlemen:

This is to confirm the request of Mr. L.T. Barrow,
Assistant Treasurer Lockheed Aircraft Corporation,
to stop payment on the following checks that were
stolen:

Check No.Amount in \$

168389	50.000.--
168390	16.667.--
168391	33.333.--
168392	100.000.--
168393	66.667.--
168394	133.333.--
168395	200.000.--
168396	133.333.--
168397	266.667.--
168398	300.000.--
168399	116.667.--
168400	150.000.--
168401	75.000.--
168402	25.000.--

Total 1,666.667.--

Very truly yours,

LOCKHEED AIRCRAFT INTERNATIONAL
A.G.

A. G. Ottes

IV. POLITICAL CONTRIBUTIONS IN ITALY

To: William Ricks
T. F. Morrow

Italian C-130 Contract Problems

The continuing delay in completing interim financing loan arrangements with Ex-Im Bank and IMI, and the resultant delay in making the second payment of commissions and fees is jeopardizing the progress of our Italian C-130 contract. In addition, our consultant reports that the delay, regardless of the circumstances, is damaging our Corporate image with key personnel in the MOD and in other Italian Government circles. As background for a better understanding of why this situation exists, I think the following information regarding the history of our commission agreements is pertinent.

Promotional Expenses

The original agreement with Tezarefo S.A. for "promotional expenses" of \$120,000 per airplane (\$1,680,000 for 14) provided for the entire payment to be made at the time of issue of a letter of intent from the MOD. This agreement assumed receipt of the letter of intent by March 31, 1970. Since it was not received by that date, a new agreement was signed, which provided for one half of the payment to be made on receipt of the letter of intent and the remainder to be paid on registration of the contract. This is the written agreement currently in effect with that firm.

In late May, 1970, Lockheed asked Tezarefo to obtain a revision to the above agreement, as follows:

1. Total of \$575,000 to be paid on receipt of the letter of intent,
2. \$575,000 to be paid on IMI approval of bridge financing loan, and
3. Remaining \$520,000 to be paid on contract registration.

Tezarefo reported that he was unable to obtain formal agreement to the new payment schedule but acquiesced nevertheless because it seemed to be the only course at the time.

Legal Fees

The agreement with Lefebvre on his legal fees in connection with the sale provided for payment of one half on receipt of the letter of intent and the remainder on contract registration. These fees were to amount to \$15,000 per airplane, or \$210,000 for 14.

Again, in late May, 1970, Lockheed asked Lefebvre to accept a revision to the payment schedule, as follows:

1. No payment on receipt of letter of intent,
2. \$140,000 to be paid on IMI approval of bridge financing loan, and
3. Remaining \$70,000 to be paid on contract registration.

Lefebvre did not formally agree to this change, but did accept it during the pressure period immediately preceding the time we actually received the letter of intent.

Special Expenses

Early in 1970, Lockheed recognized the necessity for additional special expenses of \$78,000 and this amount was to be paid on receipt of the letter of intent. Those expenses actually were to compensate the previous president and certain members of his team, who are now in the industry, and will review the contract.

We have recently agreed to an additional payment for special compensation to the president for his activities in connection with the price increase that was negotiated in December. Originally, this was to amount to more than \$200,000, but agreement has been reached on a single payment of \$50,000.

In summary, the payment schedule is as follows:

	<u>Letter of Intent (June 3, 1970)</u>	<u>IMI Approval of Loan</u>	<u>Contract Registration</u>	<u>Total</u>
Promotional Expenses	\$575,000	\$575,000	\$530,000	\$1,680,000 (1)
Lefebvre Legal Fee	-0-	140,000	70,000	210,000
Special Expenses	<u>78,000</u>	<u>50,000</u>	<u>-0-</u>	<u>128,000</u>
Total	<u>\$653,000</u>	<u>\$765,000</u>	<u>\$600,000</u>	<u>\$2,018,000</u>

(1) More than 85% of this is for the Minister's political party — *Parti and Front*

Lefebvre's position was, and still is, that the revised payment schedule (particularly the IMI date) was not at all related to their need for money to fulfill commitments, but was merely a convenient time for Lockheed to supply the funds. At the time, it was assumed by all parties that the loan would be consummated before (or concurrent with) final agreement between Lockheed and the MOD on the contract, so his decision to reluctantly accept our proposal did not appear to be nearly as *crisis* has turned out to be.

Because of an effective and concerted effort on the part of our consultant, the ~~contract~~ contract has progressed through the complicated Italian Government approval cycle in record time so far. It has recently been reviewed and passed by the Council of State and is now in the hands of the Defence Minister for his final official action which is the issuance of a formal signed decree indicating his approval and recommendation. After this action, it must go through Treasury and the Court of Accounts before registration.

Progress made thus far has been in spite of the belief of the *Defence Minister* that Lockheed has not done all it could to complete the IMI loan. He is also suspicious that perhaps the reason for

our lack of action is that we are merely waiting for a government change so no payment to his party will be necessary. Legrand has done all he could to combat this feeling, but IMI people have apparently contributed to our problem of passing the blame to us. In addition, the Minister did not really agree with the change in the payment schedule in the first place.

According to Legrand, the Minister's current position is that he will not process the contract further until the second payment is made to him. He feels that this is his last really effective pressure point, and apparently he intends to use it. He also states that Lockheed should not propose any new programs, such as the CL 1200, until the C-130 matter is cleared up. However, positive action by Lockheed will get positive and cooperative results.

Related to the above, Legrand reports that he has agreement in principle from IMI that they will make the loan irrespective of the Ex-Im guarantee, provided the Minister signs the decree and forwards it with his strong recommendation to Treasury. A copy of the contract and the decree would be given to IMI as "collateral" during the period between the Minister's action and contract registration. This agreement has not been formalized and is probably more complicated than it sounds, but it is definitely an encouraging sign. However, the second payment must precede the loan.

If the payment is made, Legrand stated he would be working on the following schedule for contract registration:

1. Defence Minister decree and forwarding to Treasury on March 22.
2. Treasury approval and forwarding to Court of Accounts by March 29.
3. Contract registration by April 30.

If this schedule could be accomplished, we could expect the down payment from the Italian Government by the end of June and would be working to obtain it as early as May 31.

The following is our projection of cumulative cash investment in the Italian C-130 program for the next several months:

March	\$2.5 Million
April	4.5 Million
May	6.0 Million
June	7.8 Million

We are acutely aware of the Corporate cash problem and know full well that making the second commission payment before obtaining any loan proceeds would only increase that problem. However, it appears to us that we really don't have a choice if we want our contract to continue the processing cycle - and we do.

With the known instability of the Italian Government, we consider it imperative to assure that the contract is firmed up as soon as possible. The last thing we want is a new government and a new set of players at this stage of the game, and this possibility is getting stronger all the time according to *LeFebvre*.

Bill Cowden and Alex Lorch are available to discuss the subject further in any degree that is necessary, but we believe quick action on this matter is important to our Italian program. We therefore request authorization to make the second payment of \$765,000 as soon as possible.

Grand Hotel, Rome, Italy
Friday, 28 March 1969

Re: Studio Legale Lecture d'Oudio
Legal Retainer Agreement (C-130)

Dear Charles:

Please accept my apologies for addressing you on scratch paper and in my execrable handwriting, but I am in no position to disclose to local third persons the contents hereof and it will be some days before I can be back in the Paris office.

A. Retainer Fees.

In the hopes that the Legation would be persuaded to accept the retainer arrangement outlined in your letter of 14 March 1969, I prepared in advance a program letter agreement. The original thereof is enclosed marked up to show what the Legation said would be acceptable to them. I said I would recommend to you its acceptance as changed. In the light of their explanations and from my own impression (from Carl Rothman, Lefty Roka and others) as to their activities to date and as to what is further expected, I cannot quarrel with them and do strongly recommend that agree goes along.

As to the \$75,000 initial payment, they said that up to now in the apprehension of their normal fee schedule they would have billed Lockheed at least \$150,000. They have agreed to offset eventually

\$50,000 of the initial fee if the program goes.

Instead of the 25%, 25%, 50% installments of the additional fee, again, they have made the request indicated. They point out that they are not really commission salesmen and that this is a one-shot deal in which, by the very nature of the assignment, their work would all be completed, theoretically, without follow-up or surveillance or continuing customer contact when the definitive contract is executed and delivered.

Again, it is hard for me to argue that Agala must wait (again original installment schedule) until it has received some \$60,000,000 before I can pay the final installment, or \$20,000,000 (then amended suggested schedule); and variously for from 1 1/2 to 2+ years after completion of the legal assignment.

I do urge you to advise me in Paris to proceed on the amended basis as disclosed by the enclosed, but if that is not acceptable, please give me further instructions. I will next be there (Paris) on Tuesday 8 April. (The office is closed Friday P.M. 4 April and all of Monday 7 April).

Also enclosed is a statement for the initial retain fee, (amended basis) with a note attached thereto. The Lefebvres are not trying to pressure you (perhaps I am!) and hesitated to give me the statement for that reason. Finally, I asked for it because (a) it represents my

recommendation (b) I know how long these things usually take and if we wait until the middle of April to initiate payment I think an unreasonable length of time will have elapsed from their first dip into the C-130 matter and any remuneration (and (c) I am personally embarrassed about (b). However, if the amended proposal is not acceptable, please return the statement to me in Paris and we will start over.

Inadvertently, the lifelines were submitted an inadvertent expense statement respecting the P-3 matter, and they do not propose to do so respecting the C-130 matter for expenses incurred prior to this date (28 March).

B. Compensation to Third Persons.

Please hold on to your seat, as what follows may be a shocker to you. (I am somewhat injured, due to the P-3 exercise.) So get you in the proper state of mind, you should know that Ovidio before (this is strictly his department) states that Gelax, if it wishes the maximum sum for success, must be prepared to go as high as \$120,000 per airplane for the Cumschaw part. He hopes it will be less and will try to keep it less (and I believe him to be sincere in this) but says that such is a nasty part of life in the arena in which we are trying to off-set the same type tactics by a combination (this time) of both the French and the Germans. (In the last 8-11- around the French heart as single headedly!)

I cannot talk poor-mouth to Ovidio

because someone else (as he informed me) has disclosed to him the 6% increase in price which, to him, appears to produce some \$150,000 per airplane additional over normal profit unless that sum is expended for purposes not connected with the manufacture and assembly of the aircraft. Furthermore, he said that, unlike in the P-3 matter, there will not again be a face to face negotiation between a representative of the "party" and Lockheed representatives but that he will be told, probably by the Antelope Cobble (get out your little black book - mine is dated October 5, 1965), just how much the "party" demands.

Further there will be the Cobble himself and Purn and various others of lesser but highly placed personnel.

In this connection he insists that he will only give names and figures to one person in Lockheed. He says he wishes it to be me (probably because I am the only survivor around of the P-3 exercise). If you want it to be someone else, then it must be someone who will be able to be here in person when needed, and he will not put any of the information in the mails. If I get the information I would propose to seal it up and deliver it, so sealed, to our Paris lawyers for safe-keeping, with instructions to deliver to the President of Lockheed in the event of my death, disability or disappearance. Arbitrarily, he said he wanted it to be me, of that he has been dead, with, because I am a lawyer. (Doesn't that

just make you available as a repository for
quietly ~~imposed~~ (??) if you wish me to
take out of this phase of the matter please
let me know, but at the same time nominate
someone else as soon as possible to be in
personal contact with Ovidio.

I really should not be putting even the
forgoing in writing, but I have no choice.

When you communicate with me as to
the form of the legal retainer letter agreement,
please also include either (a) the statement
"maximum outside expenses approved" (which I
will interpret to mean that Gylar ~~is~~ is
willing to go as high as \$120,000 per airplane
for cushion of such becomes necessary) or
(b) the statement "outside expenses of \$XXX^{per}
approved" (which I will interpret to mean
that the figure you put in where I have
three XXX's above will be the maximum per
airplane which Gylar is willing to commit, win
lose or draw, to the cushion part). I will
pass the word along (orally).

I recognize what the temptation will be
and I can only say (a) we are not
negotiating with Ovidio but merely establishing
parameters within which he can negotiate
for us, (b) our first commitment may be the
only commitment we may have an opportunity
to make, ~~etc.~~ i.e. events may stop us from
being able later to move the ante, (c) those
who will be making the decision must
well bear in mind the old adage about
penny-wise and pound-foolish and (d), and

finally, I entertain the impression that the winning of the C-130 sale to Italy is of tremendously greater significance to Lockheed than the bare sale of X number of airplanes, at least in this point of time. Please advise.

C. General Retainer

For your information I have been instructed by A.C.K. to submit to him on his return from his forthcoming trip to Japan a proposal concerning a general Charles retainer (legal) arrangement with the Studio Legale L. A. O. This I have discussed with them and their report as requested to A.C.K. I mention this because the Lifebuys are very interested in maintaining a continuing relationship with L.A.C. and this opportunity of possibly effecting such an arrangement may have gotten Gelac a little better deal on the C-130 matter than possibly could have been received from them (as per the enclosed counter-proposal) ~~from~~ if they considered it as only a one-shot deal and perhaps wish to contact with L.A.C. Incidently if the retainer relationship is established, it would furnish to any and all visiting Lockheed business personnel an office and conference room, telephone service, five language secretarial help and locked steel files for documents, if wanted.

I am sorry that the Lifebuys did not take my proposed letter agreement

as written. They do not come cheap, but I believe that but for what they have done and will do Belac could very well get hissed off, and, further, I am convinced that but for them ACIL and other sales gent's from several areas (and I think that they would agree) could have been and would be beating their heads against a stone wall of Italian indifference, to put it most mildly.

I apologize for the length of this. I hope you keep this letter on a very strict need-to-know basis with respect to your compatriots. As for the compensation to Third Persons part we are dealing with diplomats that could blow Lockheed right out of Italy with terrible repercussions.

Best regards.

Ron

Mr. C. M. Valentine
Director of Contracts
Lockheed-Georgia Company
Department 09-20, Zone 1
Marietta, Georgia 30060
U.S. A.

W. W. Cawdon

69-50

43218

**DOCUMENTATION SUPPORTING PAYMENTS OF COMMISSIONS AND
CONSULTANCY FEES IN CONNECTION WITH CONTRACT GLX-153
WITH THE ITALIAN GOVERNMENT**

I have attached all of the documentation contained in my files which I consider to be required to support the payments of commissions and consultancy fees related to Contract GLX-153. In some cases, the documents are copies only and not originals, the originals being in the possession of the Paris office, or Francesco Lafabvre, or other consultants.

Below is a descriptive schedule of the attached documents, which have been marked to correspond with the indicated reference codes:

- A-1 Cover letter and original consultancy agreement dated April 17, 1969 between LAC and Studio Legale Lafabvre.
- A-2 Letter from Roger Smith to Ovidio Lafabvre dated April 24, 1969 which better defines and explains some of terms of April 17 agreement.
- A-3 Letter from Smith to C. M. Valentine dated April 24, 1969 which gives information on agreement.
- A-4 Revised agreement dated January 1, 1970 between LAC and Lafabvre.
- A-5 Revised agreement dated May 21, 1970 between LAC and Lafabvre.
- A-6 Receipts for payments amounting to \$210,000 under agreement.
- B-1 Original consultancy agreement dated October 18, 1969 between Gelac and Tezorelo S.A. of Panama.
- B-2 Revised agreement dated April 16, 1970 between Gelac and Tezorelo.
- B-3 Letter from Tezorelo to Lafabvre dated September 29, 1970 giving status of their activities, implying previous receipt of \$1,000,000, requesting payment of the remaining \$450,000 and recognizing that payments to COMEL are a reduction from their original agreement.
- B-4 Receipt for entire payment of \$1,450,000.



- C-1 Original consultancy agreement dated October 10, 1969 between Galce and S.p.A. COM.EL. of Rome.
- C-2 Modification, dated April 16, 1970, of original agreement.
- C-3 Letter from COM.EL. to Galce dated June 11, 1970 (in Italian with attached translation) acknowledging receipt of 70 million lire (\$112,000) and restating or expanding on agreement details.
- C-4 Receipt from COM.EL. on balance of 70 million lire which completed all payments due (Italian and English translation).
- D-1 Letter from IKARIA to Lafabvre dated March 18, 1970 outlining agreement for their consultancy representation for Galce. Copies of French letter and English translation.
- D-2 Letter from M. M. Egan to Lafabvre accepting terms of proposal from IKARIA and authorizing Lafabvre to act for Galce.
- D-3 Receipt from Lafabvre for \$70,000 received by him to be turned over to IKARIA.
- D-4 Receipt from IKARIA to Lafabvre for \$78,000.
- E-1 Original agreement between Galce and Lafabvre dated March 9, 1971 which agreed to reimburse Lafabvre (partially) for additional payment to a certain Italian official.
- E-2 Receipt from Lafabvre for \$50,000 for above agreement.

The following is a summary of the total payments made to each of the organizations or individuals involved:

Ref. A - Studio Legale Lafabvre	\$ 210,000
Ref. B - Tezoreto S.A.	1,456,000
Ref. C - S.p.A. COM.EL.	224,000
Ref. D - IKARIA Establishment Veduz	78,000
Ref. E - Ovidio Lafabvre for Special Payment	50,000
Total -	\$2,018,000

70-468

45

644

UNCLASSIFIED PRIVATE DATA



I K A R I A
ETABLISSEMENT
VADUZ

Suite n. 1 lettre à Mr. Guido Lefebvre D'ondio

VADUZ, le 18 Mars 1970

L'acheteur renonce définitivement à cette acquisition.

Vous voudrez bien nous retourner un exemplaire de la présente lettre dûment revêtue de votre signature pour accord et, dans cette attente, nous vous prions d'agréer, nos salutations les plus distinguées.

I K A R I A Etablissement

LE PRESIDENT

V1502

Translation

Varese, March 18, 1970

Prof. C. Eiseburo
Rome

Dear Sir:

We beg to refer to our discussion concerning our participation in promoting the sale, now being processed, of the following order:

Buyer: Italian Defense Ministry, Rome

Supplier: Lockheed Georgia Co., Marietta
(represented by yourself)

Order: 14 C.130 Hercules transport planes.

You have established for us a fee of US \$78,000, payable at receipt of a letter of intent from the Ministry, to which a negotiation concerning the contractual clauses will follow. May we remind you that ~~a first letter of intent~~ you had already been received ~~by us~~ ^{at all} a first letter of intent whose wording was not, in part, not convenient for you, so that a correct wording is now being prepared. We believe that this will happen shortly and that this will enable you to pay our fee.

This payment is to be done in favor of account No. 5052 of the Bank of Swiss Italian Trade Geneva, or in the way that we shall agree at the time.

It is to be understood that, if, after some

not be issued, we shall return to you the money you will have paid to us. You will have simply to ~~also~~ produce the document by which the Buyer will have definitely renounced to the purchase.

Please return to us a copy of this letter signed by you ~~as proof of agreement~~ to indicate your agreement with the above.

Yours faithfully,

IKARIA Establishment
(The President)

LOCKHEED-GEORGIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
MARIETTA, GEORGIA 30060RECEIVED
MAR 25 1970

March 25, 1970

Mr. Guido Lefebvre d'Audoubert

Via del Nucleo 11

00194 Rome, Italy

Dear Mr.

We have reviewed the letter you received from IKARIA ETABLISSEMENT VADUS of Lausanne, Switzerland dated 18 March, 1970. That letter refers to assistance that company can and has rendered in connection with the sale of fourteen (14) C-130 Hercules aircraft to the Italian Ministry of Defense.

Lockheed agrees that the above company has rendered valuable assistance and hereby authorizes you to make payment in the amount of U.S.\$78,000 at the time of receipt of a binding Letter of Intent from the Italian Ministry of Defense for purchase of fourteen (14) C-130 Hercules aircraft and related equipment and spare parts. You will be reimbursed in the same amount concurrently with the receipt of the Letter of Intent.

Yours very sincerely,



Maurice M. Egan
Vice President - European Area
for
Lockheed Aircraft Corporation

1 1 1 1 1 1 1 1 1 1
ETABLISSEMENT
VADUZ

C/O COGEPRO S.A.
11, Av. Tour Haldimand
1009 - PULLY - LAUSANNE

VADUZ, LE 21 Juin 1970

US\$. 78,000.00

We have received on this date, from Mr. Ovidio
LEPBVRE on behalf of LOCKHEED GEORGIA COMPANY the above
amount of US\$.78,000.00 (seventy eight thousand and no cents)
for services rendered as per our proposal of March 18th, 1970.

I X A R I A Etablissement

LE PRESIDENT

December 19th, 1970

Mr. William Cowden
Lockheed Georgia Co.
Marietta, Georgia

Dear Bill:

Just for our reciprocal recollection, let me put in writing that on June 3rd, 1970, I have received the amount of 78,000 dollars as lump payment for expenses met up to December 31st, 1969.

This arrangement had been concluded with Mr. Egan, because he had full knowledge that our actual expenses (owing to charges we had previously discussed and agreed upon) were in excess of that amount.

Yours cordially,

Louise Leifer

LOCKHEED-GEORGIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION

MARIETTA, GEORGIA 30061

LOCKHEED

S.p.A. COM.EL.
78 Via Savoia
Rome

October 18, 1969

Dear Sirs:

Reference is made to our discussions on your possibility of assisting us in negotiations for the sale of our productions on the European market. We notify you hereby that we accept your assistance as for the transaction with the Italian government for the sale of twenty "C-130" or "Hercules" planes.

During the period from to-day to the registration of the contract you will act as our advisers, giving to us and to our legal consultants for Italy your unrestricted assistance whenever required and your advice to the best of your knowledge and conscience; on the other hand, during the period of our relationship, you will not engage in an activity conflicting with our interests.


It is understood that, as a commission and reimbursement of expenses, you will receive ten million lire for each aircraft which will be sold, be they more or less than twenty units; and it is furthermore understood that our Company is entirely free to accept or refuse the order. The payment of 50% of the above amount will be made at the bank or individual of your choice upon the issue of a letter of intent on the part of the buyer and for 50% at the time when the final contract will be registered.

It is finally understood: (a) you will not be entitled to any other sum for any other reason or title; (b) no payment will be due on your part if the letter of intent should not be released at the latest on January 31st, 1970; (c) any amount received by you shall be returned within five days in case of cancellation of the order.

We hope that this agreement will lead to other forms of co-operation with us on your part; however the scope of the present accord is strictly limited to the above negotiations.

Your acceptance with all our terms and conditions will be attached with your signature on the second copy of the present letter.

Yours sincerely,


Maurice Egan
Executive Vice-President

Per accettazione

COM.EL. S.p.A.
L'Amministratore Unico

LOCKHEED-GEORGIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION

MARIETTA, GEORGIA 30060

LOCKHEED

April, 16, 1970

S.p.A. COM.EL.
78, Via Savoia
Rome

Dear Sirs:

Pursuant to our discussions of April 15 1970 it is our desire to modify our agreement dated October 15, 1969 so as to substitute the date of October 30, 1970 for the date of January 31, 1970 which date appears at fourth paragraph, item (b) and which now reads as follows: "(b) no payment will be due on our part if the letter of intent should not be released at the latest on January 31, 1970".

It is our understanding that we share a mutual desire to extend our agreement and we both look forward to a successful conclusion of this matter.

Please indicate your acceptance of this modification by signing and returning one copy.

Yours very truly,

Maurice M. Egan

Per accettazione e benestare

COM.EL. S.p.A.

... E. Agnelli...

COM.LL.**COMPONENTI ELETTRONICI S.P.A.****ROMA - VIA SAVOIA, 70 - TELEF. 0444808****CAPITALE SOCIALE L. 30.000.000 INTERAMENTE VERSATO**

Roma, 11 Giugno 1970

Spettabile
LOCKHEED - GEORGIA COMPANY

Marietta, Georgia 30061

Ci riferiamo alle intese di cui Vs. lettera 18/10/69, da noi controfirmata, prorogata con successiva Vs. lettera del 16/4/70.

Vi dichiariamo con la presente di aver da Voi ricevuto la somma di Lit. 70.000.000= (settantamilion), a saldo del 50% di commissione a noi dovuto a seguito del rilascio da parte del Ministero della Difesa della definitiva lettera di intenzione (datata 1.6.70) per l'acquisto di quattordici aerei "C.130" Hercules.

Vi diamo atto che il pagamento come sopra da Voi eseguito lascia salvo il Vostro diritto di accettare o rifiutare l'ordine del Ministero della Difesa; e Vi confermiamo che, in caso di rifiuto dell'ordine da parte Vostra, la somma oggi ricevuta Vi sarà da noi restituita.

Infine, riferendoci all'impegno da noi assunto con la lett. c) della lettera 18.10.69, precisiamo - per quanto superfluo - che tale impegno sarà operativo anche nel caso in cui la cancellazione dell'ordine dovesse avvenire per esercizio della facoltà che il Ministero della Difesa si è riservata con il terzultimo paragrafo della lettera d'intenzione 1 giugno 1970 (e cioè per mancato "concretamento di accordi contrattuali soddisfacenti con l'industria italiana").

Vogliate gradire i nostri migliori saluti.

Translation

CONEL

June 11, 1970

to

Lockheed Georgia Co.
Mariotta, Georgia

Dear Sirs:

We beg to refer to your letter of October 18, 1969, accepted by us and prorogated by your letter of April ~~18~~, 1970.

We declare hereby that we have received from you the amount of 70 million lire (112,000 dollars), corresponding to the 50% of the commission owned to us upon the execution on June 1st of the final letter of intent by the Defense Ministry for the purchase of 14 Hercules C.130.

We state hereby that you are free to accept or refuse the order of the M.O.D., and that in case of refusal on your part we shall return the monies received to-day.

Finally, as for our commitment by item c of your letter of October 18, it is needless to say that our commitment includes the case in which the cancellation of the order might happen for lack of satisfactory agreements between your Company and the Italian industry, as stated in the sixth paragraph of the letter of intent.

Yours truly,

THE MANAGER

COMPONENTI ELETTRICI S.P.A.
ROMA - VIA SAVOIA, 78 - TEL. 0444808
CAPITALE SOCIALE L. 30.000.000 INTERAMENTE VERSATO

Roma, 30 Novembre 1971

Spettabile
LOCKHEED - GEORGIA COMPANY
Marietta, Georgia 30061

Ci riferiamo alle intese di cui Vs. lettera 18/10/69, da noi controfirmata, prorogata con successiva Vs. lettera del 16/4/70.

Vi dichiariamo con la presente di aver da Voi ricevuto la somma di L.70.000.000=(settantamiloni), pari a dollari USA 115.130, a saldo della commissione a noi dovuta a seguito della conclusione del contratto di vendita con il Ministero della Difesa per quattordici aerei "C.130" Hercules.

Vogliate gradire i nostri migliori saluti.

COM. EL. S.p.A.
L'Amministratore Unico

TRANSLATION

COM.EL. S.p.A.
78 Via Savoia

Rome, November 30, 1971

to
Lockheed Georgia Co.
Marietta, Georgia

We beg to refer to the contents of your letter of October 18, 1969, whose copy has been signed also by us, and whose validity has been prorogated with your letter of April 16, 1970.

We declare hereby that we have received from you the amount of 70 million lire, equivalent to US\$ 115.130, as balance of the commission due to us as a result of the order of 14 C.130H aircraft by the Ministry of Defense.

With best regards,

for COM.EL. S.p.A.

The General Manager

Note - although Lockheed (LGE) agreed to pay total of 140 million lire (per letter of 11.18.69), this was equivalent at the time to 224,000, which was the amount debited from the Tazzeo's original agreement. This second and final payment actually amounted to 115,130, the difference of 3,130 being paid by Lockheed. This same amount was charged as expense by Lockheed in his 1971 expense billing, as it should have been. The expense billing was charged to WIP, so is not included in this ledger.

WNC

LOCKHEED-GEORGIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
 MARIETTA, GEORGIA 30061

CONFIDENTIAL

Tezorefo S.A.
 Apartado 7412 - Estafeta Balboa
Panama, R.P.

October 18, 1969

Dear Sirs:

Reference is made to our discussions on your possibility of assisting us in negotiations for the sale of our productions on the European market. We notify you hereby that we accept your assistance as for the transaction with the Italian government for the sale of twenty "C-130" or "Hercules" planes.

During the period from to-day to the registration of the contract you will act as our advisers, giving to us and to our legal consultants for Italy your unrestricted assistance whenever required and your advice to the best of your knowledge and conscience; on the other hand, during the period of our relationship, you will not engage in any activity conflicting with our interests.

It is understood that, as a commission and reimbursement of expenses, you will receive US\$ 120,000 for each aircraft which will be sold, be they more or less than twenty units; and it is furthermore understood that our Company is entirely free to accept or refuse the order. The payment of the above amount will be made at the bank or individual of your choice upon the issue of a letter of intent on the part of the buyer.

It is finally understood: (a) you will not be entitled to any other sum for any other reason or title; (b) no payment will be due on your part if the letter of intent should not be released at the latest on March 31st, 1970; (c) any amount received by you shall be returned within ten days in case of cancellation of the order.

It is agreed that, if you consider it convenient in our interest, and if we agree with your recommendation, specific tasks of assisting us can be conferred to third parties. In this case, all money to be paid will be deducted from the above sum of US\$ 120,000 per plane. This deduction, therefore, is applied to the case of our agreement with COM.EL. S.p.A. as per letter whose copy is attached to the present letter.

We hope that this agreement will lead to other forms of co-operation with us on your part; however the scope of the present accord is strictly limited to the above negotiations.

Your acceptance with all our terms and conditions will be attached with your signature on the second copy of the present letter.

Yours sincerely,

Maurice Egan

Maurice Egan
Executive Vice-President

TEZOREFO

Tezorefo Aero Research Foundation, S.A.

John Van der Horst

LOCKHEED-GEORGIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION

MARIETTA, GEORGIA 30060



April 16, 1970

Tezorefo-Temperate Zone
Reserach Foundation S.A.
Apartado 7412
Estafeta Balboa.
Panama R.P.

Dear Sirs:

This letter cancels and supersedes our similar letter to you dated 18 october 1969, and is intended to record our agreement for your assisting us in negotiation for the sale of four teen C-130 "Hercules" aircraft to the Italian Government.

During the period from this date through the registration of the contract you will act as our advisors, giving to us and our legal consultants in Italy your unrestricted assistance whenever required and your advice to the best of your knowledge and belief; on the other hand, during the period of our relationship, you will not engage in any activity conflicting with our interests.

It is understood that, as a commission and a reimbursement of expenses, you will receive US\$ 104,000 for each aircraft which will be sold during the current proposal and contract activity; be they more or less that fourteen units; and it is further more understood that our Company is entirely free to accept or refuse the order. The payment of the above amount will be made at the bank or individual of your choice according to the following schedule of events:

1. Upon receipt of binding Letter of Intent from the Italian Ministry of Defense for purchase of fourteen (14) C-130 "Hercules" aircraft and related equipment and spare parts	\$ 500,000
2. Upon completion of contract negotiations and approval of Minister of Defense as evidenced by signed proclamation and forwarding of contract to Council of State	500,000
3. Upon registration of contract by the Court of Accounts	456,000
Total	\$ 1,456,000

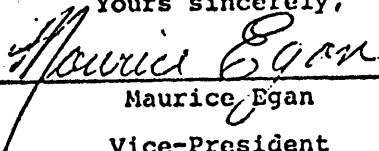
It is understood that: (a) you will not be entitled to any other sum for any reason or title; (b) no payment will be due on your part if the letter of intent should not be released at the latest by October 30, 1970; any amount received by you shall be returned within ten days in case of cancellation of the order.

It is agreed that it has been considered convenient to our mutual interests that specific tasks of assisting us as had been contemplated by our agreement with COM.EL. S.p.A. of 18 October, 1969, will be performed by COM.EL. S.p.A. as per the letter agreement with them whose copy is attached to the present letter.

We hope that this agreement will lead to other forms of cooperation with us on your part; however, the scope of the present accord is strictly limited to the above negotiation.

Your acceptance with all our terms and conditions will be attached with your signature on all copies of the present letter. We request that you return all signed copies to us for counter-signature and a fully executed copy will be sent to you immediately.

Yours sincerely,


Maurice Egan

Vice-President
Lockheed Aircraft Corporation

TEZOREFO

Temperate Zone Research Foundation, S.A.

John Vanier Houes

Rome, May 21st, 1970

Tezorefo S.A.
Apartado 7412-Estafeta Balboa
PANAMA, R.P.

Dear Sirs:

In view of the favorable development of the C.130 order, we have been asked to make the necessary preparations for the payment of the commissions agreed upon with your firm.

At the present time, we believe that within 48 hours from the signing of the letter of intent, we can cause a first payment of one third to be made in your bank account or in any way convenient to you.

We confirm hereby what we have already submitted to you, namely that this is the best possible arrangement under the circumstances, until the IMI/Eximbank approach will be defined. As soon as this will take place, which we believe it will be a matter of days, an amount equal to a second third of the commission will be paid.

In any case, it is our clients' wish, and ours, that the original obligations be fulfilled in the shortest period of time.

Yours sincerely

TEMPERATE ZONE RESEARCH FOUNDATION S.A.
NEW YORK, N.Y. • PANAMA, P.D. • GENEVE (SUISSE)

Geneva, September 30th, 1977

Messrs.

Studio Legale Lejbowe D'ondio
11 Via del Nuovo

Rome

Dear Sirs:

We are pleased to inform you that the contract for the sale to Italy of 14 C-130-H aircraft has been duly sent to registration and that our task to promote this sale has been accomplished.

We are, therefore, asking you to receive from Lockheed, on our behalf, the sum of US\$456,000.00 still due to us in order to complete the payment of US\$1,456,000.00 to which Lockheed Georgia Company have committed themselves by their letter of October 18, 1969, as modified by their letter to COMEL S.A. of same date, accepted by us.

Since payments have been made for amounts and at dates not originally agreed upon with Lockheed, you are authorized by the present letter to issue to Lockheed, on our behalf and in our name, any document they may need to settle the position and that you may consider not detrimental to us. Should you decide, or agree, to release to Lockheed a global receipt in keeping with their letter to us of October 18th, 1969, and including US\$224,000.00 paid to COMEL, you will kindly obtain from COMEL a receipt to our favor for their fees.

Yours faithfully,

TEZOREFO

Temperate Zone Research Foundation, S.A.

John George Hume

Memo:

1. Tezorefo's letter, drafted as verbally discussed, is enclosed.
2. Please bear in mind that payments will have been made at dates other than those indicated in the 1969 agreement; therefore an additional request of interest is necessary.
3. A reason of concern is that Tezorefo should issue receipts for amounts which we know to have been paid and whose beneficiaries we approve, although there are no corresponding movements in Tezorefo's accounts.
4. Kindly consider with utmost attention the above, in order to reach a satisfactory solution also from the legal point of view, and try to speed up the closing of this matter.

October 5, 1971

TEMPERATE ZONE RESEARCH FOUNDATION S.A.
 NEW YORK, N. Y. • PANAMA, P. C. • GENEVE (SWITZER)

For services rendered to Lockheed Georgia Company, in promoting the sale of 14 (fourteen) C.130-H aircraft to Italy, we hereby acknowledge to have received from said Company the total amount of US\$1,456,000.00 (one million four hundred fifty six thousand dollars), pursuant to Lockheed's letter of October 18th, 1969, as amended by Lockheed's letter of April 16th, 1970 to this Company.

Geneva, October 27th, 1971.

TEZOREFO

Temperate Zone Research Foundation, S.A.

John J. J. J. J.

November 6th, 1971

Messrs.
Lockheed Georgia Company
MARIETTA, Georgia

Dear Sirs:

At your request, we have asked Tezorefo S.A. to countersign your letter to that Company, emending your previous letter of October 13th, 1969.

We are doing so with the specific understanding that your reciprocal relationship is still fundamentally governed by the 1969 document, freely given and accepted, and that discussions between Tezorefo and yourselves will not be affected by successive documents, such as the above mentioned letter.

You will undoubtedly agree that the above corresponds to the spirit of fairness which has inspired all parties concerned.

Yours sincerely,

Leifur

LOCKHEED AIRCRAFT CORPORATION
 37 AVENUE PIERRE 1^{er} DE SERBIE
 PARIS 8^e, FRANCE

ROGER HENRY SMITH
 EUROPEAN LEGAL COUNSEL

5 August 1968

Prof. Avv. Antonio Lefebvre d'Ovidio
 Via del Nuoto, 11
 ROMA
 Italy

Dear Professor Lefebvre d'Ovidio:

This is intended to memorialize the understanding which was reached between your legal office (herein "d'Ovidio") and Lockheed Aircraft Corporation ("Lockheed") in consultation in Rome on 1 August 1968 concerning d'Ovidio acting as Lockheed's legal representative in Italy with respect to certain matters, as hereinafter set forth:

1. Lockheed shall forthwith pay to d'Ovidio the sum of U.S. \$40,000 as a legal retainer fee in consideration of d'Ovidio representing Lockheed in certain miscellaneous legal matters in Italy during the period from the present time to and including 30 June 1969, as from time to time requested by Lockheed, specifically and primarily including the matter of the offer of the Defence Department of the Government of the United States of America and of Lockheed to supply to the Government of Italy 18 Lockheed Model P33 type Anti-Submarine warfare aircraft and of the contractual arrangements which would result from the acceptance of such offer by the Government of Italy. Additionally, Lockheed shall reimburse to d'Ovidio miscellaneous reasonable office expenses incurred by d'Ovidio relating to such representation and of the kind normally reimbursable to an attorney by his client.

2. In the event that such offer is accepted by the Government of Italy and a contract covering the purchase and sale of said 18 aircraft is mutually executed and delivered by the contracting parties, then Lockheed shall pay to d'Ovidio an

additional attorney's fee in the aggregate amount and in accordance with the schedule and arrangements as follows :

- (a) An additional aggregate fee equal to $1\frac{1}{2}$ % of the sales price of said 18 aircraft as recited in the contract of purchase and sale (subject to the termination or cancellation of the contract subsequent to its execution and delivery, as set forth in (d) below), but in any event not more than U.S.\$560,000 nor less than U.S.\$360,000.
- (b) Said additional aggregate fee shall be paid by Lockheed to d'Ovidio in three installments.
 - A. The first installment shall be in an amount equal to 45% of the additional aggregate fee and shall be paid upon the mutual execution and delivery of the contract of purchase and sale of the said 18 aircraft ;
 - B. The second installment shall be in an amount equal to $27\frac{1}{2}$ % of the additional aggregate fee and shall be paid upon the acceptance of delivery by the Government of Italy of the first of the said 18 aircraft delivered under the contract of purchase and sale ; and
 - C. The third installment shall be in an amount equal to $27\frac{1}{2}$ % of the additional aggregate fee and shall be paid upon the acceptance of delivery by the Government of Italy of the eighteenth of the said 18 aircraft delivered under the contract of purchase and sale.
- (c) In the event that subsequent to the mutual execution and delivery of the contract of purchase and sale the number of aircraft covered by the contract is, by mutual amendment of the contract by the parties thereto, increased to more than 18 aircraft or decreased to less than 18 aircraft, then the additional aggregate fee (and the maximum and minimum limitations thereon) shall be equitably adjusted to reflect such increase or decrease in number, as the case may be.

- (d) In the event that subsequent to the mutual execution and delivery of the contract of purchase and sale the contract is terminated or cancelled, then Lockheed shall be relieved of its obligation hereinabove recited to pay to d'Ovidio the additional aggregate fee, except that (i) d'Ovidio shall be entitled to retain, without accounting therefor to Lockheed, any and all installments of the additional aggregate fee paid by Lockheed to d'Ovidio prior to such termination or cancellation and (ii) Lockheed shall pay to d'Ovidio, in lieu of any or any further installment or installments of the additional aggregate fee, an amount equal to 1/2 of 1% of the moneys, if any, actually received by Lockheed after such termination or cancellation solely by reason and on account of such termination or cancellation.

If the foregoing fairly reflects the understanding which was reached between d'Ovidio and Lockheed pertaining to legal fees for the representation described, it would be appreciated if you would endorse as indicated the copy of this letter enclosed herewith and return such copy to the attention of the signatory hereto.

With kindest regards, and with genuine personal appreciation of your consent to represent Lockheed in the legal matters referred to, I remain

Yours most sincerely,

/s/ ROGER DIXBY SMITH
Roger Dixby Smith
for

The foregoing fairly represents, and is in accord with, our mutual understanding. Lockheed Aircraft Corporation

Dated : 3 August , 1968

/s/ ANTONIO D'OVIDIO
(Antonio Lefebvre d'Ovidio)

0019: Roma - Via del Negro, 11 (Das Pini) - 13° 32' 21" - 12° 34' 30" - 7° 07' 20" - 45° 00' 00"
 0021: Genova - Via Genova, 15 - 12° 54' 20" - 44° 02' 30" - 7° 07' 20" - 45° 00' 00"
 0012: Napoli - Via Garibaldi, 42 - 14° 23' 00" - 23° 00' 00" - 7° 07' 20" - 45° 00' 00"

For services rendered, one hundred forty thousand
dollars, US Cy.-----

June 12th, 1971

abse amt received :

Ante la

We have received the amount of US\$70,000.00 (seventy thousand dollars) from Lockheed - Georgia Company, for services rendered pursuant to letter of May 21st, 1971.

November 18th 1971

Dietrich

INTERDEPARTMENTAL COMMUNICATION

TO	A. C. Kotchian	ADM/ CASH	DDO/ EDM	PLANN/ FAC	DATE November 5, 1971
FROM	F. A. Kanzler	ADM/ CASH	DDO/ EDM	PLANN/ FAC	EX. 76552
SUBJECT	ITALIAN C-130 PROGRAM				

It has been requested that a final payment of \$600,000 be made immediately on the Italian buy. If you concur with this request, will you so indicate your approval in the space provided below.

These funds will be wire transferred on Monday, November 8, 1971, to First National City Bank, New York, for their Rome, Italy, account.

F. A. Kanzler
F. A. Kanzler

FAK:mak

APPROVED:

for A. C. Kotchian
A. C. Kotchian

V. THE MEUSER/WEISBROD CONNECTION

28251x csge ch
22259z lock ch

lockheed aircraft geneva July 31, 73

credit suisse, geneva

400/ cu- 30131

2548 pls transfer 1mny from our usdlr acct 404.600/01

today July 31, 73 and every following 30th of each month
thereafter up until further notice to:

credit suisse winthorthur

attention: dr. claus sulzer- director

for credit account of

dr. h. weisbold

dlrs. 2,500.00

correction: should read dr. h. weisbrod and not dr. h. weisbold
end of correction

payment reference : consultant agreement lalag / ch/ 5059

between lalag and mr. f. meuser stop

please confirm the above standig order stop- and

w. p. holl

lockheed aircraft intl. a. g.

28251x csge ch
22259z lock ch

LOCKHEED AIRCRAFT INTERNATIONAL A.G.

CD -30290A

Request for: CHECK ☒TRANSFER ☐

ENTRY

Date of Request: 8-01-73

Date Required: _____

Payee: C.F.C. MannedAddress: St. TropezAmount: US \$ _____ SFr. 7890.73

(amount in words)

Explanation: Reimbursement of TER
2348 from 23-07Disposition of Check: sent with attached letter to St. TropezRequested by: E. F. F. F.

Payment

Department Head: _____

Approval: E. F. F. F.

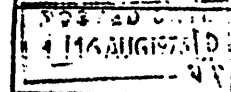
Account Distribution

Sub Ledger				G/L Ledger		AMOUNTS	
Acc.	Dept	Co-de	DR \$ (CR)	Acc.	Co-de	DR	CR
15104		36	✓ 2620.91	15001	36	✓ 2620.91	
10000			(2620.91)	11003			✓ 2620.91

Accounting

Approval: _____

Machine Posting



N^o 005042

REFERENCE	PURCHASE ORDER No.	INVOICE DATE	INVOICE No.	GROSS AMOUNT	DISCOUNT	NET AMOUNT
REFERENCE	REIMBURSEMENT OF TIR 2348 thru 2358					Sfr. 7'880.73 =====
						/

LOCKHEED AIRCRAFT INTERNATIONAL A.G.
1, PLACE LONGEMALLE
GENEVE

A-R

N^o 005042

302909

GENEVE August 3, 1973

PAYEZ CONTRE CE CHEQUE

A L'ORDRE DE C.F.C. MEUSER

Fr. s. 7'880.73*

LA SOMME DE FRANCS -----SEVEN THOUSAND EIGHT HUNDRED EIGHTY and 73/100-----

NON-NEGOTIABLE

CREDIT SUISSE, GENEVE

NON-NEGOTIABLE

LOCKHEED AIRCRAFT INTERNATIONAL A.G.
GENERAL ACCOUNT 120123

LOCKHEED AIRCRAFT INTERNATIONAL A.G.

CD-302901

Request for: CHECK ☐TRANSFER ☒

Date of Request: _____

Date Required: _____

7/13/73

Payee: _____

HEUSER

Address: _____

C.S. Winthrethur

Amount: US \$ _____

2,500.00

Sfr. _____

(amount in words)

Explanation: _____

CONSULTANT HARGRENEB LHMFG/CH/
5059

Disposition of Check: _____

Requested by: _____

Payment

Department Head: _____

Approval: _____

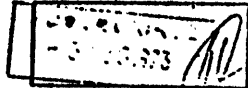
Account Distribution

Job Ledger				G/L Ledger		A M O U N T S			
Acc.	Dept	Co- de	DR (CR) \$	Acc.	Co- de	DR		CR	
01300			2,500.00	41002				2,500.00	
2743		76	2,500.00	7800	76	2,500.00			

Machine Posting

Accounting

Approval: _____



CREDIT SUISSE

GENÈVE

SCHWEIZERISCHE KREDITANSTALT
CREDITO SVIZZERO
SWISS CREDIT BANK

Téléphone 022 / 20 44 11
Télégrammes CREDIT
Téléc 22 1 48
Chèques postaux 12 - 26

1211 Genève 11, le 1er Août 1973 Z/hj/2291

Lockheed Aircraft Internat. AG
1, Place Longemalle
1204 Genève

opte. \$ 408600

Conformément à vos instructions partélex du 31.7.
nous transférons au Crédit Suisse, Winterthur, à l'att. de Mr. Dr. Claus
Sulzer, Directeur, en faveur du Dr. H. Weisbrod, (par télex)

faisant plus

\$ 2'500.--

dont nous vous débitons valeur 31.7.73

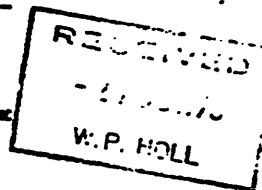
Veuillez agréer nos salutations distinguées.

CREDIT SUISSE

Visa:

Les avis de débit jusqu'à Fr. 50 000.-- (ou contreleur) peuvent porter le visa d'une seule personne autorisée à signer en place
des signatures collectives.

Ch 139a 12.72



LOCKHEED AIRCRAFT INTERNATIONAL A.G.

CD - 303217

5089

Request for: CHECK ☒ TRANSFER ☐

Date Required: 8/16/73

Date Required: 8/16/73

ENTRY

Payee: C. F. C. MEUSER

BY AMOUNT

1,506.50

Address:

Amount: SFr. 1506.50

SFr. 1506.50

(Explain in words)

Explanation:

Reimbursement TER No 2359

Disposition of Check:

Requested by: EH

Payment

Department Head:

Approval: \$X

Account Distribution

Sub Ledger			G/L Ledger		AMOUNTS	
Acc.	Trans	Co-	DR	(CR)	Acc.	Co-
1510 F		50	502.16	1500.36	✓	502.16
12000			502.16	1100.3		✓ 502.16

Accounting

Approval:

Machine Posting

POSTED DATE
17 AUG 1973005089
73
1,506.50*

POSTED DATE
- SEP1973

[illegible]

[illegible]

VI. THE NEW AGENT IN GERMANY

LOCKHEED AIRCRAFT (EUROPE) S.A.
TELEPHONE: 24-13 81

TELETYPE: 24-13 81
CABLE ADDRESS: LOCKHAW

TELETYPE
CABLE ADDRESS: LOCKHAW

LOCKHEED AIRCRAFT (EUROPE) S.A.

PARIS, July 9, 1973

TO : M.M. Egan

FROM : N.S. Orvat

SUBJECT : Discussion with Vice-Admiral Heinz Kuhnle, Chief of the German Navy.

On 2 July 1973, Margaret and I were invited to dinner in Dusseldorf by Mr. Steinrucke. As you know, Steinrucke has a rather magnificent home in Neuss on the outskirts of Dusseldorf and entertains in what might moderately be termed the grand old style. Certainly, the dinner on the 3rd, which was for 16 people, was as splendidly presented and served as any I have attended in Europe. Mrs. Steinrucke is a charming and highly experienced hostess, as well as a lovely lady. I am told - and I can believe it! - that Germans seldom turn down a dinner invitation from the Steinruckes.

At dinner, Mr. and Mrs. Mommsen (he was Defense Minister, Schmidt's Deputy in the MOD before Schmidt moved to the Finance Ministry) and the head of Thyssen, one of Germany's largest companies, several other top industrialists, a high official from the Finance Ministry, and Vice Admiral Kuhnle, Chief of the German Navy, and others were present.

After dinner, I was able to have a private talk in the garden with Vice Admiral Kuhnle. He had visited the U.S. a short time ago, at the guest of Admiral Zumwalt, our Chief of Naval Operations. Bud is a classmate of mine from the National War College which helped to establish the basis for a friendly conversation.

Kuhnle is a great admirer of Zumwalt and went on at some length about his admirable qualities, notably his ability in the face of a restricted Defense Budget, to get more than his fair share of the budget - according to Kuhnle - for naval modernization programs. This permitted me to inquire about Kuhnle's own budgetary problems. They are severe.

.../...

Steinrücke is highly concerned about the MRCA program. He is absolutely against no money here for anything else. Steinrücke is quite gloomy about the entire matter and I drew a clear inference that he was far from being a supporter of the MRCA program. Obviously, he could hardly be so pessimistic about it if, in his opinion, it will drain off resources that he would elect to use otherwise. But, as he says, "the military will have little to say about the ultimate fate of the program." I asked if a production decision on the MRCA would be made at the end of 1973 as had been forecast and he merely repeated his statement about the political nature of the program and said he did not know.

He said that, in any event, there was no need for haste in making a decision about ASW Aircraft. The question was going to be studied thoroughly, as was the question of the replacement of his four squadrons of naval P-104 Aircraft. ~~He said that the replacement of the P-104s was the focus of his concern about the program.~~ He said that, insofar as ASW aircraft were concerned, the selection of a new aircraft was relatively simple (i.e., the selection of an existing, proven aircraft versus an undeveloped one) the ~~question of politics~~ was again going to intrude.

~~He seemed nonplussed.~~ He seemed nonplussed. Either he did not know anything about the S-3, or he knew just enough to be dangerous. His response was: "but what we need is a long-range maritime patrol aircraft". I could not press the point because the time had come to join the other guests.

I was ~~impressed~~ with ~~us~~ ~~have been in the past~~ - with the political, military, financial and industrial associations that ~~Steinrücke~~ has in high circles. It seems to me that he possesses many of the assets that we seek when we arrange for effective local representation in a foreign country. At present, we are not using his services in our ASW campaign in Germany and thus, are not using an available resource that could prove to be quite valuable to us. I am confident that Steinrücke could be helpful to us by putting us in touch - under favorable circumstances - with the type of people to whom we would wish to communicate. Moreover, ~~Steinrücke~~ has associated with him a retired Vice Admiral of the German Navy, Karl Hetz, who was formerly Commander-in-Chief of the German fleet. Hetz is not an airman, but as a destroyer commander, he has a high degree of familiarity with ASW operations, especially in the Baltic and the North Sea. In my opinion, ~~now an intelligent, judicious and perceptive man.~~ He speaks English excellently. ~~He is perhaps on a different level than Steinrücke, he, too, could prove to be a valuable~~

N. S. Orwat
N.S. Orwat 6

LEONARD GEORGIA COMPANY
A DIVISION OF THE LEONARD AIRCRAFT COMPANY
INTERDEPARTMENTAL COMMUNICATION

TO: J. C. Fogarty/ J. M. Chamberlain

DEPT. 81-01 ZONE 41 DATE November 3, 1972

FROM: W. W. Cowden

DEPT. 69-50 ZONE 1 EXT. 43218

SUBJECT: REQUEST FOR SPECIAL PAYMENT

Our consultant in Germany, Christian Steinrucke, has recommended that he be given \$8,000 to be distributed equally between the two political parties in Germany as a pre-procurement hedge toward the sale of the fourth JetStar to the GMOD.

Since we have had relatively little sales and no demonstration expenditures, and the profit percentage in the price of the airplane is well above the recent averages, Marketing feels this is a justifiable expenditure. Further, assuming the sale of the JetStar is made, this amount can be deducted from the consultant's \$43,000 commission following the sale.

It would be appreciated if these funds can be made available to the consultant within the next ten days.


W. W. Cowden

WWC:mg

Approved: 
for P. F. Dobbins


D. J. Crockett, Jr.


C. P. Cochran


G. M. Kalenber

REF 30 LAESA

1 64

03/30/72

0350 11 36



C. P. KALEMBER

D/69-50

Z/11

HARIETTA

DTC

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WNE/72/401.

GERMAN CONSULTANT

IN DISCUSSIONS WITH [REDACTED] LAST WEEK HE SAID THAT THE [REDACTED]

CONTRACT SHOULD BE SIGNED IN SEPTEMBER. HOWEVER HE TELLS ME THAT HE

Forty-Thousand DEUTSCH-MARKS (10,500)

WAS COMMITTED [REDACTED] TO THE [REDACTED] PARTIES AND FOR

WHICH HE WILL PRODUCE RECEIPTS. IN ADDITION HE WANTS [REDACTED]

Hundred-Thousand DEUTSCH-MARKS

[REDACTED] [REDACTED] [REDACTED] FOR HIS [REDACTED] AND FROM WHICH HE WILL HAVE TO

OBLIGATIONS

MEET CERTAIN OTHER [REDACTED] AND FOR WHICH THERE WILL BE NO

RECEIPTS.

EXCHANGE 3.20

AT A [REDACTED] RATE OF [REDACTED] THIS AMOUNTS TO APPROXIMATE

157 43,000 (70712)

[REDACTED] [REDACTED] [REDACTED] ALTHOUGH THIS IS HIGHER THAN THE [REDACTED]

30%

[REDACTED] HE OFFERED IT IS LOWER THAN THE [REDACTED] HE ORIGINALLY ASKED

FOR. PLEASE ADVISE.

FRENCH

NEW SUBJECT. - I'M AM NOT AWARE OF ANY REPLY FROM YOU ON THE [REDACTED]

1-710

INSTRUMENTS, GEODESIC SURVEYING
 U. S. GEOLOGICAL SURVEY, BUREAU OF MINERAL RESOURCES
 INTERDEPARTMENTAL COMMUNICATION

TO: Mr. M. Egan

DEPT. 67-50 ZONE 11 DATE November 17, 1972

FROM: G. M. Kolander

DEPT. 67-50 ZONE 11 EXT. 47642

SUBJECT:

Enclosed is an \$8,000.00 check for Steinrucke. Assure you want to get this to him and at the same time to ensure that he understands this comes out of his commission when the JetStar is sold.

G. M. Kolander

G.M.K:ko

enc.

cc: J. K. Anchors
 P. L. Martin

VSF

67-50

11-8-72

ASAP

Eight thousand and 00/100----- 8,000.00

Christian Steinrucke

Zethausufer 22, III Etage, 4 Dusseldorf, Germany

Will pick up

x

Special Advanced Consultant Fee

2-4580

G. M. Kalombar

J. C. Fogarty

File Attached
for Stehrucke file

April 1st, 1974

B.

Mr. R.R. Witte,
 Lockheed Aircraft Corporation,
 Dept. 07-50 Bldg. 01
 P.O. Box 551,
 Burbank, California 91520,
 U.S.A.

Dear Cliff,

Reference is made to my telex NSO/123 dated 15 March, 1974, covering my recent agreement with Christian Stehrucke.

It is my understanding that an agreement of this kind may be illegal in Germany, and I would ask that copies be limited only to those with a strict need to know.

Because of security reasons, Stehrucke asked that we attempt to write an agreement that did not mention the type of aircraft involved. Attached is a draft that attempts to do just that. You may wish the legal people to give it some careful scrutiny. Although, since Roger Smith helped to prepare it, I am sure it is legally sound.

I would hope that I could meet with you and other appropriate people in Burbank during the week of 8 April, so that we can put the draft into final form and get it signed. It's been hanging fire much too long.

I look forward to seeing you again next week.

Sincerely,

N.S.
 N.S. Orwat

cc: A.A. Deon Hartelack

NOTED 100-100000

To: L. Arnold/H. Hamilton
J. M. Alafetich
R. A. Barnard
J. E. Gannon
K. King
John Stinson
E. T. Sullivan

From: A. A. Boon Hartsinck 96-01 63 A-1 77302

Subject: * AGREEMENT WITH STEINRUCKE/GERMANY ON S-3 COMMISSIONS

Ref: IDC's of 2-4 and 2-14-74 to R. R. Witte, same subject

Lockheed Aircraft - Europe S.A. has now negotiated a new agreement on S-3A commissions with Christian Steinrucke in Germany. The final written agreement is being prepared, but pending its distribution, I can now give you the main points of agreement:

1. Commission of \$100,000 per S-3A sold to the German Navy, for the first 15 aircraft only. Additional sales will be subject to new commission negotiations.
2. Initial spares provisioning, including training and ground support equipment, sold to the German Navy - 0.5%.
3. Advance against any commissions earned (therefore not limited to S-3 commissions) of \$1,000 per month starting with February 1974 and ending either (a) in the month in which we execute a contract for these aircraft, or (b) in the month of December 1974, whichever comes earlier.

Commissions will be paid as aircraft are sold, delivered and accepted, with advances deducted, either from S-3 commissions, or from possible CL-1200 commissions as outlined in Amendment No. 3 of the Corlac agreement with Steinrucke, which has been distributed on March 13, 1974.

A. A. Boon Hartsinck
A. A. Boon Hartsinck

AABH:jss

cc: D. H. Daniels
R. R. Witte
File
Chron

LOCKHEED PRIVATE DATA

INTERDEPARTMENTAL COMMUNICATION

10. L. H. Arnold/H. S. Hamlin

81-26-10000-60

A-1 DATE 7-12-74

FROM A. A. Boon Hartsinck

DEPT / 96-01 SUBJ 63
010N. ZONE

A-1 en. 77302

SUBJECT: STEINRUCKE COMMISSION PAYMENTS PER AMENDMENT NO. 4 to B-LAE-7

All commission payments due under the above agreement are to be made as follows:

Schweizerische Kredit-Anstalt

Account PK 146-218, Christian Steinrucke

Zurich, Switzerland

Paradeplatz

A. A. Boon Hartsink
A. A. Boon Hartsink

AABH:jss

File Chron

LOCKHEED. PRIVATE. DATA

1-24-75

DALE DANIELS

CC: G. C. PRILL

M. M. EGAN

NSOAL-761

Jim McInnis
Please answer
your own
judgment. I
don't think we
have a lot

1. REUR TELEX OF 21 JANUARY IN RESPONSE TO MY NSO-L-751 PLEASE BE ADVISED THAT STEINRUCKE COMING TO SEE ME ON 30 JANUARY AND IT IS AN ABSOLUTE CERTAINTY THAT HE WILL RAISE WITH ME THE MATTER OF THE SPECIAL PAYMENT ARRANGEMENT.
2. ARRANGEMENTS ON THE S-3 WERE MADE BY WILDER PRIOR TO YOUR ASSUMING YOUR PRESENT DUTIES. FOR YOUR BACKGROUND, I WAS SUBSEQUENTLY ASKED BY CALAC TO NEGOTIATE A LOWER COMMISSION FIGURE THAN AGREED BY WILDER AND SUCCEEDED IN SECURING A SIZEABLE REDUCTION. ALTHOUGH THE INSTRUCTIONS I RECEIVED FROM CALAC REGARDING THE SPECIAL PAYMENT PART OF THE PROBLEM WERE OPEN ENDED AND WOULD HAVE PERMITTED THE PAYMENT TO CONTINUE UNTIL A CONTRACT WAS SIGNED, ON MY OWN INITIATIVE, I UNILATERALLY IMPOSED A 31 DECEMBER 1974 CUT-OFF DATE.
3. WHEN STEINRUCKE AND I SAT DOWN TO NEGOTIATE, WE EXPECTED ALL THE CONCESSIONS TO COME FROM HIM AND I HAD NOTHING TO OFFER IN RETURN EXCEPT GOOD WILL AND UNDERSTANDING IN FUTURE NEGOTIATIONS. MY PERSUASIVE POWERS WERE HELPED, HOWEVER, BY HAVING BEEN GIVEN COMPLETE FREEDOM BY CALAC TO NEGOTIATE THE BEST DEAL I COULD GET. STEINRUCKE SENSED THAT AND WE WERE ABLE TO REACH A SUCCESSFUL AGREEMENT QUICKLY.

4. ALTHOUGH YOUR MESSAGE IMPLIES THAT THERE MAY BE SOME CONCESSION ON YOUR PART I DO NOT KNOW WHAT YOUR POSITION REALLY IS. IF STEINRUCKE GETS THE IDEA THAT WE REGARD HIS AFFAIRS SO LIGHTLY THAT I CANNOT GET THINGS SORTED OUT BEFORE HIS VISIT, INSTEAD OF BEING REASONABLE AS, GIVEN THE CIRCUMSTANCES OF LAST TIME, I BELIEVE HE WAS, HIS DEPARTMENT IS LIKELY TO BE THAT OF AN OFFENDED BEAR WHOSE WOUNDED PAW HAS JUST BEEN STEPPED ON.
5. THE POINT I AM TRYING TO MAKE IS THAT I THINK IT WOULD BE FAR BETTER FOR ME TO KNOW BEFOREHAND WHAT YOU ARE TRYING TO ACHIEVE, AND WHY. DO YOU WANT TO TERMINATE THE PAYMENT ARRANGEMENT? REDUCE IT? PUT A CUT-OFF DATE ON IT EARLIER THAN THE END OF THE YEAR? BELIEVE ME, TELLING STEINRUCKE THAT WE WANT TO TAKE ANOTHER LOOK AT OUR POSITION IS JUST ABOUT THE WORST COURSE OF ACTION WE CAN TAKE. I WOULD MUCH PREFER TO TELL HIM AT THE START THAT WE HAVE NO INTENTION OF CONTINUING THE SPECIAL PAYMENT ARRANGEMENT AND TELL HIM WHY.

ORWAT - LONDON

VII. GIFTS IN TURKEY

5-1-73

Allen Meyer -

I am still questioning some of the words in the back-and-forth cables, especially RB4/409 which says gifts and costs are an "advance" - I assume against future commissions.

This is somewhat at variance with later info which indicates only "gifts" are an advance against commissions, while "expenses" are going to be paid by us, which would be covered in a side-letter, per your request.

Would appreciate any further clarification, and possibly another query to Davidson.

Thanks

AADH

PS New code book is in effect today!

TO: J. A. DAVIDSON - TEHRAN.

DECODED

WITHOUT OPENING UP TURKISH CONSULTANT TERMS
DISCUSSION UNNECESSARILY DO NEED CLARIFICATION
ON ONE POINT. IN OUR MUTUAL DISCUSSION WITH
N. DURAL I UNDERSTOOD YOU STILL PLANNED TO
REVIEW PRESENT OUTSTANDING INVOICES TO SEPARATE
THE TRUE QUOTE EXTRAORDINARY UNQUOTE EXPENSES
FROM THE GIFTS. I ASSUMED THAT HE WAS GOING
TO BE ASKED TO SWALLOW THE LATTER AND WE PAY
ONLY THE FORMER. YOUR TELEX OF 4-25 TO MITCHELL
DOES NOT COMMENT OTHER THAN YOU HOPED WE HAD
CLEAR AGREEMENT ON THE PAST INVOICES. CONLEYS
TELEX OF 4-27 INDICATES ACCEPTING THEM IN TOTAL.
BEFORE WE APPROVE FOR PAYMENT NEED ADVICE
AS TO WHETHER OR NOT YOU HAVE ABANDONED YOUR
EFFORT TO GET HIM TO SWALLOW ANY OR ALL OF THE
GIFT PORTION.

Allen Meyer
ALLEN MEYER

cc: A. A. Boon Hartsinck

LOCAL PRINTING DATA

INTERDEPARTMENTAL COMMUNICATION

TO D. M. Wilder DEPT/ 93-01 HQS/ 63 NAME/ A-1 DATE 5-7-73
 FROM Walter C. Smith DEPT/ 96-01 HQS/ 63 NAME/ A-1 SN. 77861
 SUBJECT TURKEY F-104S PROGRAM SUPPORT

Subsequent to discussions held by our Agent in Turkey, Mr. Nesih Dural, with Mr. Jack Davidson (CORLAC) and Allen Meyer, Mr. Dural has now advised me through Mr. Brubaker that the requirements to establish firm competitive data intelligence will require an expenditure of \$30,000 for a six month period beginning 1 May 1973, at the rate of \$5,000. per month.

I have reviewed with Mr. Brubaker the intelligence data recently obtained through this source and also the plans to obtain the rest of the data required to enable us to know what the competition is doing. After this review I recommend that we immediately notify Mr. Dural to proceed on the basis of this \$30,000 funding for the six month period, with the understanding that if the program is successful this amount will be deducted from the normal commission which will be due Mr. Dural. Mr. Davidson has advised he concurs in this request.

Walter C. Smith
 Walter C. Smith

WCS:emm

APPROVED:

Allen Meyer (See Note attached)
 Allen Meyer

CONCURS:

D. M. Wilder
 D. M. Wilder

LOCKHEED PRIVATE DATA

PRESIDENT
NEZIH M. DURAL

Your Ref: RC/73/57051

Our Ref: NMD/dlt

30 November 1973

Mr. R. F. Conley
President
Lockheed Aircraft (Mid-East) S.A.
Gefinor Centre - Suite 401 B
P.O. Box 8560
Rue Clemenceau
Beirut
Lebanon

Dear Bob:

Thank you for your letter dated 21 November 1973 and also for your check in the amount of \$15496.00 for the months of August and September. I am grateful for your explanation regarding the \$30000.00 which was established on the 1st of May. As you know, I cannot give you all the details in this letter, but I think I have given all the necessary items which I have been supplying to you for more than six months. In October I brought a nice package present to Burbank. I am sure that you will have heard about this package. When Mr. Fuhrman and Allen Meyer come to Ankara I will explain the situation to them in full. I hope while they are here that you will also be here, so that it will be easier to explain everything necessary to all of you at the same time.

I am enclosing the monthly expenses for October, \$20000.00, and for office expenses \$560.00. For November I am only enclosing office expenses of \$637.00 and no special expenses, so would you please prepare the check as usual and send it to me.

My best personal regards:

Nezih M. Dural

NEZIH M. DURAL
President

*12/12
Coordinated with A
Fuhrman and myself
and we concur.*

cc: Mr. Jack Davidson - Teheran

Allen Meyer

Lockheed-California Corp.,
 MEMORANDUM COMMUNICATION

TO: Walter C. Smith CSM/ DSM/ DSM/ 5-9-73

FROM: Allen Meyer CSM/ DSM/ DSM/ 75227

SUBJECT: CONSULTANT ARRANGEMENTS - TURKEY

Ref: W. C. Smith IDC to D. M. Wilder dated 5-7-73, subject: "Turkey F-104S Program Support"

While I concur that we should commit to the expenditure as outlined, I think we should qualify it to cease at the time of a sign-up (or adverse decision). At the time of a sign-up the arrangement would become meaningless since the advances would then start to be liquidated against his commissions. Also, I feel that there should be some motivation for a win reflected, which wouldn't be if the allowance continued for a fixed period regardless of outcome. The basic objection to this arrangement is the lack of discretion or judgement which it encourages in the distribution of funds; i.e. if we lose, it costs him nothing. Dural is apparently either unwilling or unable to handle on his own account. Thus we agreed to make the original exception to our normal agency arrangement.

It is also a little disturbing to contemplate the possibility that Nesih is racking us a bit. This increased demand was made to Brubaker just one day after I left and only a few days after Davidson and I had agreed with him on the \$2,000 per month "allowance" against future commissions. At that time he indicated he could live with that figure (although he did state he would be spending some of his own money). In spite of the above we have little choice at this point other than to go along with the increased allowance.

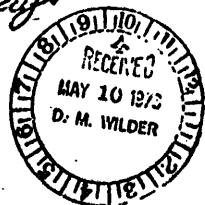
A more serious concern is that there is little indication that he is offering really significant inducement at decision-making levels. Messrs. Wood and Mitchell intend to press this point pretty hard at the time of executing the reworded agreement. As you know, this rewording (although limiting our exposure) will assure Nesih of a thoroughly adequate amount with which to buy real influence not just intelligence for which the above expenditures are being used.

Allen Meyer
 Allen Meyer

AGM:mw

cc: D. M. Wilder
 D. O. Wood

LOCKHEED PRIVATE DATA



RF761 31 LAMSA

1 LA

04716/73

TEX PAR7268

Copies: AG Meyer
Avon 37*Meyer
18, 19, 20*

	CONLEY		LAMESA		BEIRUT
COPY	MEYER	93-11	CALAC		BURBANK

2510 HILTON TN
APR 15, 73
MO 65156 LOCKAIR PARIS

IDA-15C-73 RELAY TO CONLEY LAMSA COPY MEYER 93-11 CALAC STOP
LONG DISCUSSION WITH MEZIH CONCERNING EXPENSES STOP HE HAS EXPLAINED
JAN FEB MAR AS FOLLOWS COLON JAN REPORT COMMA DEC JAN TELEPHONE
TELEFX IS 325 DEC 375 JAN COMMA GIFT EXACTLY AS LISTED REPORT
COMMA ENTERTAINMENT AND TRIPS IS TWO TRIPS ISTANBUL 410 ENTERTAINMENT
EXPENSE 290 STOP FEB REPORT COMMA GIFTS BREAKDOWN IS APT FINANCING
PACKAGE 300 AND DISNEY INFOR REQUESTED BY ACK 2200 COMMA TELEX AND
TAXI AS LISTED COMMA ENTERTAINMENT DINNER ACTUAL 90 THREE NITE
CLIM TRIPS 330 STOP EYE RECOMMEND WE ACCEPT BREAKDOWN AND PAY THE
THREE INVOICES STOP WITH REGARD D TO FUTURE COMMA MEZIH INSISTS
NEXT FEW MONTHS ARE CRITICAL AND EYE AGREE STOP HE SAYS HOWEVER
WILL NOT CONTINUE TO SUBMIT TO DETAIL SCRUTINY WHICH HE
FEELS IS UNNECESSARY REFLECTION ON HIS INTEGRITY AND ALSO RISKY
STOP ONE POSSIBILITY SUGGESTED BY ALLEN MEYER WAS TO AGREE TO
MONTHLY SUM WHICH COULD LATER BE CHARGED AGAINST FEES STOP EYE
DROACHED THIS IDEA AND HAVE TENTATIVELY AGREED WITH MEZIH
THAT BEGINNING WITH MAY HE COULD SURMIT INVOICES UP TO 2000
PER MONTH WITHOUT DETAILS BUT AHT ALL WOULD LATER BE DEDUCTED
FROM HIS FEES STOP HE IS AWAITING FINAL WORD FROM ME THAT THIS
SYSTEM IS TO GO INTO EFFECT AND WHEN STOP REQUEST MEYER AND
CONLEY COMMENTS REGARDS

DAVIDSON - TEHERAN/IRAN

API005

LA420

FROM: A. A. Boon Hartsinck

NY/ 96-01 MAR 63

NY/ A-1 MAR 77302

SUBJECT: COMMISSION PAYMENT TO DURAL

5

You are requested to issue a commission check to Nezih Dural, DBA Altay Kollektif Sirketi, in the amount of \$240,000. - covering his commission on the first 12 F-104S aircraft delivered to Turkey by Italy. This commission is in accordance with Products Agreement No. 7-A to Agreement LEB/F-248.

When this check is ready, please notify this office so it can be picked up - it will be delivered to the Geneva office (Bob Menke), where it will be held for Dural.

Thanks very much.

A. A. Boon Hartsinck
A. A. Boon Hartsinck

cc: D. H. Daniels
C. F. Brubaker
A. G. Meyer
File - Altay
Chron

*c/sales license program
- not part of Trans deal
- not offset against advance*

*Per Miller:
R.M. 8402
2-4635*

Go Joplash ✓
REQUEST FOR

ECK ☐

DISBURSEMENT ☐

FORM LAC 141-1

ORIGINATING DEPT./ORGN.

REQUEST DATE

WHEN REQUIRED

96-01

2-27-75

3-7-75

AMOUNT

Thirtyeight thousand Nine hundred

Sixtythree and no cents ----- \$ 38,963.00

PAYABLE TO

Lockheed Aircraft (Middle East) SA

EMPLOYER'S
(IF APPLICABLE)

ADDRESS

PO Box 11-8560
Beirut, Lebanon

DISPOSITION OF CHECK OR FUNDS

☒ SEND TO
ABOVE ADDRESS ☐ OTHER:

☐ APPLY
AGAINST
ADVANCE

EXPLANATION

Reimbursement for payments to Nesh Dural, aka

Ally Kollaktif Sirkati, in accordance with Conley TWR

RC/75/4141, as follows:

Normal expenses Oct. 74 through Feb. 75 \$ 7534.-

Advance against Commissions Oct. 74 through

Feb. 75 (Special expenses and publicity

allowance for 3 months) 31,429.-

CHARGE TO ACCOUNT/WORK ORDER NO.

5372
90-8842-9632

\$ 31,429.00
7,534.00

REQUESTER'S SIGNATURE

DEPT./ORGN. APPROVAL

ACCOUNTING APPROVAL

FINANCE APPROVAL

MONTH	NORMAL	EXTRAORDINARY	PUBLICITY
OCTOBER '74	1800.	4500.	
NOVEMBER	1700.	4450.	3000.
DECEMBER	980.	4450.	3000.
JANUARY '75	1875.	4497.	3000.
FEBRUARY	1975.	4492.	
TOTAL	7534.	22,489	9000.

21429
TOTAL DOLLARS 38,963. PAID BY LANESA CHECK. APPRECIATE
INITIATING REIMBURSEMENT AT YOUR CONVENIENCE.
ASKING WHETHER HE CAN BE REIMBURSED NOW FOR FEARS ON FIRST
GROUP OF 18 FINCH WAKI. IF SO, HE WANTS HULL TO BE MADE BY
DOB NEWKE WHEN DORAL VISITS LAING-GENEVA NEXT WEEK.

RECEIVED
H. P. CONLEY
JAN 17 1964
100-4728
FBI

*Held with in
royalty payments.
b*

Commission
PEARS ON FIRST
BE MADE BY
Held until we receive
royalty payments.
b

UNITED STATES SENATE
COMMITTEE ON FOREIGN RELATIONS
SUBCOMMITTEE ON MULTINATIONAL CORPORATIONS

Telephone: 224-9174

For Immediate Release
February 13, 1976

The Subcommittee on Multinational Corporations today released the receipts, bank transfers and consultant agreements relating to Lockheed/Japan that are in the Subcommittee's possession. A Subcommittee spokesman noted that some but not all of these documents were made public at the time of the Subcommittee hearings last week.

[illegible]

6 March, 1962

Mr. K. Toyoda
Managing Director
Marubeni-Mitsui Co., Ltd.
C. P. O. Box 590
Tokyo, Japan

Subject - L1012 Sales in Japan

Dear Mr. Toyoda

Amendment Number 4 to Contract LAL/4011 sets forth the commissions to be paid by LAL to Marubeni-Iida Company, Limited for the sale and delivery of each new Lockheed Model Li011 to a purchaser in Japan.

Subsequent to the execution of the aforementioned Warranty, then MHI would waive its right to commissions, as stated in the initial sale, of L1011 aircraft to a purchaser in Japan in order to offer a more attractive price to such purchaser. MHI waives its right to commissions up to a maximum sum of US\$30,000.00 in the event the initial sale is (4) Model L1011 or more Model L1011 aircraft is less than four (4) Model L1011 then MHI will equal to an amount of US\$57,500.00 for each aircraft sold. In the event that the amount waived be less than US\$135,000.00.

If the foregoing correctly reflects our agreement, in this letter, you are requested to acknowledge in the space below provided:

Very truly yours,

LOCKHEED AIRCRAFT INTERNATIONAL LIMITED.

J. W. Clutter
President

Acknowledged and
agreed to on 17/22 March 1969
Marubeni-Mitsui Co., Ltd.

Manfred Director

~~UNCLASSIFIED PRIVATE DATA~~

TELEPHONE NO. 100-1000
TELEX NUMBER 114499

ROOM 111, 100-1000, NIPPON Bldg.
4-1, OHTSUKA 1-CHOME, SHIBUYA-KU
TOKYO 100 JAPAN

May 24, 1973

JWC/3242

Frank M. Rube
Director of Financial Operations
Lockheed Aircraft Company
Burbank, California

Subject: Payment of L1011 Commissions to Marubeni Corporation

Dear Mr. Rube:

A new Marketing Representative Agreement has recently been negotiated with the Marubeni Corporation on behalf of the Lockheed Aircraft Corporation and is now in Burbank for execution by LAC. This Agreement, reference L.O./72-1, provides for the payment of a commission of \$160,000 per L1011 delivered to a customer in Japan, and supercedes the L.O.111 commission obligation previously covered in Agreement L.O./70-1 between Lockheed Aircraft International Ltd. and the Marubeni Corporation.

The enclosed letter to Marubeni, reference 3JWC9/5, dated March 6, 1969, specifies that Marubeni agrees to waive their previous \$67,500 per L1011 commission rate set forth in Amendment 04 to LAIL/4011 up to a maximum of \$120,000 for a L1011 aircraft. In the negotiation of the new L1011 commission rate specified in agreement L.O./72-1 Marubeni agreed that the provisions of this letter would still pertain. Accordingly, the commission rate to be paid Marubeni for each of the first four L1011 aircraft delivered to All Nippon Airways should be reduced by \$67,500 for a net payable commission of \$92,500 per L1011. For the fifth and subsequent L1011 aircraft delivered to ANA the full commission rate of \$160,000 per L1011 will apply.

Please contact me at your convenience if you have any questions concerning this matter.

Very truly yours,

LOCKHEED AIRCRAFT (ASIA) LIMITED

J.W. Clute
President

JWC:mg

CC: A.C. Kitchin
T. Okubo - Marubeni Corporation
L.T. Harrow
A.H. Elliott

R.I. Mitchell

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION

MAY 20 1973

REQUEST FOR CHECK ☐DISBURSEMENT ☐

FORM LAC 101-1

ORIGINATING DEPT./ORGN.	REQUEST DATE	WHEN REQUIRED
81-61	8-6-73	8-6-73

AMOUNT

One Hundred Thirty Thousand & no/100----\$130,000.00

PAYABLE TO

EMPLOYEE NO.
(IF APPLICABLE)Marubeni Corporation
ADDRESS

Tokyo, Japan

DISPOSITION OF CHECK OR FUNDS

☐ SEND TO ABOVE ADDRESS ☒ OTHER: H. S. Hamlin

☐ APPLY AGAINST ADVANCE

EXPLANATION

I-1011 Marketing Services under Agreement No. I.O./72-1

A

CHARGE TO ACCOUNT/WORK ORDER NO.

a/c 1959

REQUESTER'S SIGNATURE H. S. Hamlin	DEPT./ORGN. APPROVAL 1st F.A. Sanders
ACCOUNTING APPROVAL H. S. Hamlin	FINANCE APPROVAL

August 8, 1973

Marubeni Corporation
Grand Avenue
Los Angeles, California

Dear Mr. Kobotaka,

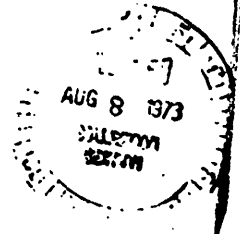
Forwarded herewith is a Lockheed California check in the amount of \$130,000.00 which covers the initial commission payment to Marubeni on the ANA L-1011 first buy of aircraft - (six aircraft).

The Lockheed California Company appreciates the great assistance your company has provided in the consummation of this L-1011 program with ANA and looks forward to making additional commission payments in the near future.

Very truly yours,


A. H. Elliott
Deputy Program Manager - L-1011

bcc:
LTBarrow
TADuda/H.S./HMLN
WFMoore
FPuhl



Marubeni

AMERICA CORPORATION

624 SOUTH GRAND AVENUE • LOS ANGELES, CALIFORNIA 90017 • (213) 628-6271

August 9, 1973
LAH-10/503

Mr. A. H. Elliott
Deputy Program Manager L-1011
Lockheed-California Co.
P. O. Box 551
Burbank, California 91503

Dear Mr. Elliott:

Thank you for your check in the amount of \$130,000.00 covering the initial commission on ANA/L-1011 first purchase of aircraft (6 each).

Based upon our conversation of yesterday, it is our understanding that the above amount covers the following:

1) From No. 1 to No. 4:

 $\$92,500 \times 20\% = \$18,500$ $\$18,500 \times 4 = \dots\dots\dots \$ 74,000.00$

2) No. 5:

 $\$160,000 \times 20\% = \dots\dots\dots \$ 32,000.00$

3) No. 6:

 $\$160,000 \times 15\% = \dots\dots\dots \$ 24,000.00$ TOTAL 5 \$130,000.00

For future reference, we would like to obtain from you back-up data together with your check covering future payments of our commission. Please prepare a summary as back-up data of the amount of your next payment, and send it together with your remittance to us.

Your special cooperation will be highly appreciated.

Very truly yours,

MARUBENI AMERICA CORPORATION
Los Angeles Branch

[Signature]
I. Kobatake
Assistant General Manager

TK:HT:sjb

HEAD OFFICE: 200 PARK AVENUE • NEW YORK, N.Y. 10017

12-1

LOCKHEED-CALIFORNIA COMPANY

No 1100

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
BURBANK, CALIFORNIA

PAY TO THE ORDER OF

MARUGENI CORPORATION

CHECK NO

DATE

AMOUNT

110000

AUG 77

\$13000

LOCKHEED-CALIFORNIA COMPANY
GENERAL ACCOUNT

NON-NEGOTIABLE

NON-NEGOTIABLE

SECURITY TRUST NATIONAL BANK
LOS ANGELESTWO SIGNATURES REQUIRED
IF AMOUNT EXCEEDS \$10,000.00

REQUEST FOR CHECK ☒DISBURSEMENT ☐

FORM LAC 141-1

ORIGINATING DEPT./ORGN.	REQUEST DATE	WHEN REQUIRED
81-26	1-14-74	1-14-74

ACCOUNT

Eighty-Three Thousand

Forty-Four and 85/100-----\$83,044.85

PAYABLE TO

EMPLOYEE NO.
(IF APPLICABLE)

Marubeni Corporation

ADDRESS

Los Angeles, California

119257

Rec'd 1/15/74

DISPOSITION OF CHECK OR FUNDS

☐ SEND TO
☒ ABOVE ADDRESS ☒ OTHER: H.S. Harlin

☐ APT.
☐ AGAINST
☐ ADVANCE

EXPLANATION

L-1011 Marketing Services under

Agreement No. 1.0./72-1

A

CHARGE TO ACCOUNT/WORK ORDER NO.

A/C 1959

REQUESTER'S SIGNATURE

CH

DEPT./ORGN. APPROVAL

H.S. Harlin

ACCOUNTING APPROVAL

FINANCE APPROVAL

LOCKHEED-CALIFORNIA COMPANYA DIVISION OF LOCKHEED AIRCRAFT CORPORATION
BURBANK, CALIFORNIA 91503

8

SERVICES.

Marubeni Corporation
624 South Grand Avenue
Los Angeles, California 90017

9

Schedule of Commissions due
under Agreement No. I.C./72-1
for the Period Ending December 30, 1973

L-1011 Airplanes

Serial No. 193P-1053 Delivered 12-18-73	\$92,500.00
Less Commission paid 8-7-73	<u>18,500.00</u>
Total L-1011 Airplane Commission	\$74,000.00

L-1011 Spare PartsAll Nippon Airways, Inc. Promissory
Note No.001 dated 12-1-73 \$904,484.73

Spare Parts Commission @ 1%	<u>9,044.85</u>
Total Commission due	<u>\$83,044.85</u>

Attention: Mr. Tanaka

Enclosed is a commission check in the amount of \$83,044.85 per the schedule of commissions due under Agreement No. L.O./72-1 for the period ending December 30, 1973.

Very truly yours,

FILP:cm
Enclosures (2)



No 119254

REMITTANCE ADVICE

IN SETTLEMENT OF THE FOLLOWING ITEMS

PAY TO THE ORDER

AGREEMENT NO 1.0/72-1

SECURITY PACIFIC NATIONAL BANK
LOS ANGELES

LOCKHEED-CALIFORNIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
BURBANK, CALIFORNIA

DETACH BEFORE DEPOSITING

LOCKHEED-CALIFORNIA COMPANY
A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
BURBANK, CALIFORNIA

No 119254

AMOUNT	DATE	AMOUNT
119,254	JAN 10	663,948.75

LOCKHEED - CALIFORNIA COMPANY
GENERAL ACCOUNT

NON-NEGOTIABLE

SIGNATURES REQUIRED
UNT EXCEED \$10,000.00

NON-NEGOTIABLE

REQUEST FOR CHECK ☒BURSEMENT ☐

FORM LAC 141-1

ORIGINATING DEPT./ORGN.	REQUEST DATE	WHEN REQUIRED
81-26	2-5-74	2-5-74

AMOUNT

Seventy-Four Thousand and 00/100-----\$ 74,000.00

PAYABLE TO

EMPLOYEE NO.
(IF APPLICABLE)

Marubeni Corporation

ADDRESS

Los Angeles, California

DISPOSITION OF CHECK OR FUNDS

☐ SEND TO ABOVE ADDRESS ☒ OTHER: H.S. Hamlin Ext. 77880

☐ APPLY AGAINST ADVANCE

EXPLANATION

L-1011 Marketing Services under

Agreement No. 1.0/72-1 A

CHARGE TO ACCOUNT WORK ORDER NO.

A/C 1959

REQUESTER'S SIGNATURE <i>H.S. Hamlin</i>	DEPT./ORGN. APPROVAL
H.S. Hamlin	
ACCOUNTING APPROVAL	FINANCE APPROVAL <i>js/ 1.11</i>

February 6, 1974

Marubeni American Corporation
624 South Grand Avenue
Los Angeles, California 90017

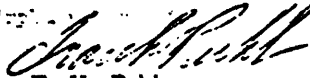
Attention: Mr. Tanaka

Dear Mr. Tanaka:

Enclosed is a commission check in the amount of \$74,000.00 per the schedule of commissions due under Agreement No. L.O./72-1 for the period ending February 3, 1974.

Please contact me if you need further documentation or assistance.

Very truly yours,



F. H. Puhl
Director of Financial Operations

FHP:cm
Enclosures (2)

bcc: H. S. Hamlin ✓

LOCKHEED-CALIFORNIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION

BURBANK, CALIFORNIA 91503



Marubeni Corporation
624 South Grand Avenue
Los Angeles, California 90017

Schedule of Commissions due
under Agreement No. I.C./72-1
for the Period Ending February 3, 1974

L-1011 Airplanes

Serial No. 193P-1061 Delivered 1-28-74 \$92,500.00

Less Commission paid 8-7-73 \$30,000.00 18,500.00

Total L-1011 Airplane Commission due \$74,000.00

INVOICE

PAGE 1 OF 4

SHIPPED TO

LOCKHEED-CALIFORNIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
BURBANK, CALIFORNIA 91503

DATE

JANUARY 28, 1974

INVOICE NO.

1-0376

DATE SHIPPED

HOW SHIPPED

TERMS

SOLD TO

ALL PIPPOH AIRWAYS CO. LTD.
P.O. BOX 106
KASUNIGASEKI BUILDING
2-5, KASUNIGASEKI, 3 - CHOME
CHIYODA-KU
TOKYO 100 JAPAN

LATIH: DIRECTOR OF FACILITIES AND PURCHASING DEPT.

AS PER CONTRACT

ORDER NO.	OUR ORDER NO.	PACKING SHEET NO.		
CLX-220	6-3120-1000			
ITEM NO.	DESCRIPTION	QUANTITY	UNIT NET	TOTAL NET
	CONTRACT NO. CLX-220 AS AMENDED			
	LOCKHEED MODEL L-1011 AIRPLANE MANUFACTURED UNDER CONTRACT NO. CLX-220, AS AMENDED			
	LOCKHEED SERIAL NO. 193P-1061. REGISTRATION NO. JAS902 INSTALLED PROPULSION SYSTEMS: ROLLS ROYCE 25,211-228 - SERIAL NO.			
	NO. 1 - WING 10298 NO. 2 - TAIL 10300 NO. 3 - WING 10320			
	BASIC PRICE PER CHANGE ORDER NO. 3 - BLOCK A	ONE		\$18,663.51
	INCREASE IN PRICE OCCASIONED BY THE OPERATION OF THE PROVISIONS OF ARTICLE 3(b):			
	SUBPARAGRAPH (11) EXHIBIT "A" PRICE ADJUSTMENT DUE TO ABNORMAL ECONOMIC FLUCTUATIONS \$742,463.00			
	SUBPARAGRAPH (111) EXHIBIT "B" EQUIPMENT ESCALATION ADJUSTMENT (134,450.43)			608.01
				\$19,271.52
	70 - 467 139			

LOCKHEED-CALIFORNIA COMPANY
A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
BURBANK, CALIFORNIA
No 120250

PAY TO THE ORDER OF

MANULANI CORPORATION

CHECK NO	DATE	AMOUNT
120250	FEB 5TH	\$ 74000.00

SECURITY PACIFIC NATIONAL BANK
LOS ANGELES
TWO SIGNATURES REQUIRED
IF AMOUNT EXCEEDS \$10,000.00
LOCKHEED - CALIFORNIA COMPANY
GENERAL ACCOUNT
NON-NEGOTIABLE**NON-NEGOTIABLE**

REQUEST FOR CHECK ☒REBURSEMENT ☐

FORM LAC 141-1

ORIGINATING DEPT./ORGN.	REQUEST DATE	WHEN REQUIRED
81-26	2-15-74	2-15-74

AMOUNT

One Hundred

Twenty Eight Thousand and 00/00----- 528,000.00

PAYABLE TO

EMPLOYEE NO.
(IF APPLICABLE)

Marubeni Corporation

ADDRESS

Los Angeles, California

DISPOSITION OF CHECK OR FUNDS

☐ SEND TO ABOVE ADDRESS ☒ OTHER: H.S. Hamlin 77880

APPLY

EXPLANATION

L-1011 Marketing Services under

Agreement No. 1.0/72-1

A

CHARGE TO ACCOUNT/WORK ORDER NO.

A/C 1959

REQUESTER'S SIGNATURE <i>H.S.</i> H.S. Hamlin	DEPT./ORGN. APPROVAL
ACCOUNTING APPROVAL	FINANCE APPROVAL

LOCKHEED-CALIFORNIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION

BURBANK, CALIFORNIA 91503

LOCKHEED

3

Marubeni Corporation
624 South Grand Avenue
Los Angeles, California 90017

Schedule of Commissions due
under Agreement No. I.O./72-1
for the Period Ending February 15, 1974

L-1011 Airplanes

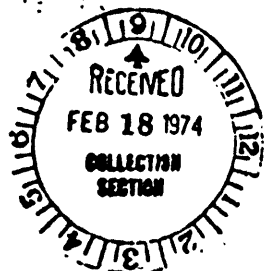
Initial commission on
Airplane Nos. 7 through 10:

Commission rate:

\$160,000.00 X 20% \$ 32,000.00

Number of airplanes: 4

Total commission due \$128,000.00



February 15, 1974

Marubeni American Corporation
624 South Grand Avenue
Los Angeles, California 90017

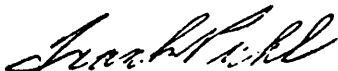
Attention: Mr. Takami Nakajima

Dear Mr. Nakajima:

Enclosed is a commission check in the amount of \$128,000.00 per the schedule of commissions due under Agreement No. L.O. /72-1 for the period ending February 15, 1974. *X*


Please contact me if you need further documentation or assistance.

Very truly yours,



F. H. Publ
Director of Financial Operations

FHP:cm
Enclosures (2)

bcc: H. S. Hamlin 

LOCKHEED-CALIFORNIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
BURBANK, CALIFORNIA

No 120975

PAY TO THE ORDER OF

MARJENI CORPORATION

CHECK NO

120975

DATE

FEB 15 73

AMOUNT

\$ 128,000.00

LOCKHEED - CALIFORNIA COMPANY
GENERAL ACCOUNT

NON-NEGOTIABLE

SECURITY FIRST NATIONAL BANK

TWO SIGNATURES REQUIRED
IF AMOUNT EXCEEDS \$15,000.00

NON-NEGOTIABLE

REQUEST FOR CHECK ☒BURSEMENT ☐

FORM LAC 141-1

ORIGINATING DEPT./ORON.

REQUEST DATE

WHEN REQUIRED

81-26

2-21-74

2-22-74

AMOUNT

Seventy-Four Thousand and no/00----- \$ 74,000.00

PAYABLE TO

EMPLOYEE NO.
(IF APPLICABLE)

Marubeni Corporation

ADDRESS

Los Angeles, Calif.

DISPOSITION OF CHECK OR FUNDS

☐ SEND TO
ABOVE ADDRESS ☒ OTHER: H.S. Namlin☐ APPLY
AGAINST
ADVANCE

EXPLANATION

I-1011 Marketing Services under

Agreement No. I.O./72-1

X

CHARGE TO ACCOUNT/WORK ORDER NO.

A/C 1959

REQUESTER'S SIGNATURE

C/H/N

DEPT./ORON. APPROVAL

H.S. Namlin

ACCOUNTING APPROVAL

FINANCE APPROVAL

LOCKHEED-CALIFORNIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION

SURBANK, CALIFORNIA 91503



Marubeni Corporation
624 South Grand Avenue
Los Angeles, California 90017

Schedule of Commissions due
under Agreement No. I.C./72-1
for the Period Ending February 22, 1974

L-1011 Airplanes

Serial No. 193P-1062 Delivered 2-18-74		\$92,500.00
Less Commission paid 8-7-73	X121	<u>18,500.00</u>
Total L-1011 Airplane Commission due		<u><u>\$74,000.00</u></u>

February 22, 1974



Marubeni American Corporation
624 South Grand Avenue
Los Angeles, California 90017

Attention: Mr. Takami Nakajima

Dear Mr. Nakajima:

Enclosed is a commission check in the amount of \$74,000.00 per the schedule of commissions due under Agreement No. L.O. 772-1 for the period ending February 22, 1974.

Please contact me if you need further documentation or assistance.

Very truly yours,

F. H. Puhl
F. H. Puhl
Director of Financial Operations

FHP:cm
Enclosures (2)

bcc: H. S. Hamlin

ALL NIPPON AIRWAYS CO. LTD.
P.O. BOX 106
KASUTIGASAKI BUILDING
2-5, KASUTIGASAKI, 3 - CHOME
CHIYODA-KU
TOKYO 100 JAPAN
LATIN: DIRECTOR OF FACILITIES AND PURCHASING DEPT.

TERMS

AS PER CONTRACT

OUR ORDER NO.	OUR ORDER NO.	PACKING SHEET NO.		
CLX-220	6-2100-2000			
ITEM NO	DESCRIPTION	QUANTITY	UNIT NET	TOTAL NET
	<p>CONTRACT NO. CLX-220 AS AMENDED</p> <p>LOCKHEED MODEL L-1011 AIRPLANE MANUFACTURED UNDER CONTRACT NO. CLX-220, AS AMENDED</p> <p>LOCKHEED SERIAL NO. 193P-1062 REGISTRATION NO. JA9503 INSTALLED PROTECTION SYSTEM: <u>ROLLS ROYCE RS.211-221 - SERIAL NO.</u></p> <p>NO. 1 - WING 10304 NO. 2 - TAIL 10305 NO. 3 - WING 10303</p> <p>BASIC PRICE PER CHANGE ORDER NO. 13 - BLOCK B</p> <p>INCREASE IN PRICE OCCASIONED BY THE OPERATION OF THE PROVISIONS OF ARTICLE 3(b):</p> <p>SUBPARAGRAPH (11) EXHIBIT "A" PRICE ADJUSTMENT DUE TO ANOMALOUS ECONOMIC FLUCTUATIONS \$700,699.82</p> <p>SUBPARAGRAPH (111) EXHIBIT "B" EQUIPMENT ESCALATION ADJUSTMENT (285,933.25)</p>	ONE		\$18,114,223.0
				414,715.1
				\$18,528,943.1
	<p>CLX-220, AIRCRAFT PURCHASE BY BUYER OF CERTAIN EQUIPMENT INCORPORATED IN LOCKHEED MODEL L-1011 AIRPLANE SERIAL NO. 193P-1062</p>			294,097.57
				\$18,534,283.20

SOLD TO

ALL NIPON AIRWAYS CO. LTD.
P.O. BOX 106
NASUIGASEKI BUILDING
2-5, NASUIGASEKI, 3 - CHOME
CHIYODA-KU
TOKYO 100 JAPAN
ATTN: DIRECTOR OF FACILITIES AND PURCHASING DEPT.

TERMS

2 AS PER CONTRACT

OUR ORDER NO.	OUR ORDER NO.	PACKING SHEET NO.		
CLX-220	6-2100-1000			
ITEM NO.	DESCRIPTION	QUANTITY	UNIT NET	TOTAL NET
	AMOUNT BROUGHT FORWARD			\$18,528,943.
	INCREASE IN PRICE PURSUANT TO:			
	ARTICLE 15(d) EQUIPMENT AS SET FORTH IN CHANGE ORDER NOS. 4 AND 6			294,087
				\$18,823,031
	INCREASE IN PRICE FOR:			
	EQUIPMENT AS SET FORTH IN THE ATTACHED SCHEDULE, IN ACCORDANCE WITH PARAGRAPH B OF LETTER AGREEMENT ALC/220-2 AS AMENDED			27,646
				\$18,850,677
	LESS:			
	DISCOUNT ALLOWED PURSUANT TO LETTER AGREEMENT ALC/220-4			400,000
				\$18,450,677
	LESS:			
	PREPAYMENT HERETOFORE RECEIVED IN ACCORDANCE WITH ARTICLE 4(a) OF CONTRACT CLX-220 AS AMENDED			3,622,30
				\$14,828,37
	LESS:			
	CREDIT ALLOWED PURSUANT TO ARTICLE 15(d) OF CONTRACT CLX-220, REFLECTING PURCHASE BY LOCKHEED FROM BUYER OF CERTAIN EQUIPMENT INCORPORATED IN LOCKHEED MODEL L-1011 AIRPLANE SERIAL NO. 193P-1062			294,087
				\$14,534,28
	(Original document submitted this way →)			
	CLX-220, REFLECTING PURCHASE BY LOCKHEED FROM BUYER OF CERTAIN EQUIPMENT INCORPORATED IN LOCKHEED MODEL L-1011 AIRPLANE SERIAL NO. 193P-1062			294,087
				\$14,534,28

SHIPPED TO

LOCKHEED-CALIFORNIA CORPORATION

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
BURBANK, CALIFORNIA 91503

DATE

FEBRUARY 18, 1974

INVOICE NO.

2-0255

DATE SHIPPED

HOW SHIPPED

TERMS

SOLD TO

ALL NIPPON AIRWAYS CO. LTD.
P.O. BOX 106
KASUGIYASEKI BUILDING
2-5, KASUGIYASEKI, 3 - CHOME
CHIYODA-KU
TOKYO 100 JAPAN
ATTN: DIRECTOR OF FACILITIES AND PURCHASING DEPT.

AS PER CONTRACT

ORDER NO.	OUR ORDER NO.	PACKING SHEET NO.		
CIX-220	6-2100-1000			
INVOICE NO.	DESCRIPTION	QUANTITY	UNIT NET	TOTAL NET
11	AMOUNT BROUGHT FORWARD			\$14,534,288.20
	LESS:			
	CREDIT ALLOWED PURSUANT TO PARAGRAPH E OF LETTER AGREEMENT ALC/220-2 AS AMENDED FOR THE ACCOUNTS HERETOFORE PAID OR AGREED TO BE PAID BY ALA TO LAC FOR THE PURCHASE OF CERTAIN EQUIPMENT INCORPORATED IN LOCKHEED MODEL L-1011 AIRPLANE SERIAL NO. 193P-1062 (SEE NOTE ON PAGE 4)			27,648.2
	BALANCE DUE UPON DELIVERY			\$14,506,639.
		21		

PLEASE DETECT ANY COMMUNICATIONS ABOUT THIS INVOICE TO THE FINANCE DEPARTMENT

Prepared by

Date

Index no

X30

LOCKHEED-CALIFORNIA COMPANY

A DIVISION OF LICENSED AIRCRAFT CORPORATION
BURBANK, CALIFORNIA 91503

DATE

FEBRUARY 18, 1974

INVOICE NO.

2-0255

DATE SHIPPED

HOW SHIPPED

TERMS

SOLD TO

ALL NIPPON AIRWAYS CO. LTD.
P.O. BOX 106
KASUTIRASEKI BUILDING
2-5, KASUTIC SEKI, 3 - CHOME
CHIYODA-KU
TOKYO 100 JAPAN
ATTN: DIRECTOR OF FACILITIES AND PURCHASING DEPT.

AS PER CONTRACT

ORDER NO. CUY-220

OUR ORDER NO. 6-2100-1000

PACKING SHEET NO.

IN. NO.

DESCRIPTION

QUANTITY

UNIT NET

TOTAL NET

NOTE: FOR COSTS INCURRED BY LOCKHEED TO THE SUPPLIERS
OF BUYER SELECTED EQUIPMENT ITEMS, REFER TO THE
FOLLOWING LAC INVOICE(S):

*INVOICE NO.DATE

P.F. 11-533
12-0080

11-29-73
12-20-73

*IT SHOULD BE RECOGNIZED THAT SOME ITEMS OF
BUYER-SELECTED EQUIPMENT INSTALLED IN THIS
AIRPLANE HAD NOT BEEN RECEIVED TOO LATE
TO PERMIT LAC TO ISSUE AN INVOICE FOR THE
PURCHASE PRICE DIRECT TO AIA AND TO RECEIVE
PAYMENT THEREFOR FROM AIA PRIOR TO DELIVERY
OF THIS AIRPLANE. IN SUCH INSTANCES,
LAC WILL SUBSEQUENTLY INVOICE THESE ITEMS
TO AIA AND AIA WILL MAKE PAYMENT THEREFOR TO
LAC WITHIN THIRTY (30) DAYS AFTER RECEIPT OF
THE APPLICABLE INVOICE(S).

Prepared by

Date 2/15

Index No

X305

LOCKHEED-CALIFORNIA COMPANY
A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
BURBANK, CALIFORNIA
No 121154
10-3
1-3
PAY TO THE ORDER OF
KARUSENI CORPORATION
CHECK NO
DATE
AMOUNT
121154
FEB 22 74
\$ 74000.00
SECURITY FIRST NATIONAL BANK
AT LOS ANGELES, CALIF.
TWO SIGNATURES REQUIRED
IF AMOUNT EXCEEDS \$ 5,000.00
LOCKHEED - CALIFORNIA COMPANY
GENERAL ACCOUNT
NON-NEGOTIABLE
NON-NEGOTIABLE

REQUEST FOR CHECK ☒REBURSEMENT ☐

FORM LAC 141-1

ORIGINATING DEPT./ORGN.

REQUEST DATE

WHEN REQUIRED

81-26

3-18-74

3-18-74

AMOUNT

Eighty-Two Thousand & no/00-----\$82,000.00

PAYABLE TO

EMPLOYEE NO. (IF APPLICABLE)

Marubeni Corporation

ADDRESS

Los Angeles, California

DISPOSITION OF CHECK OR FUNDS

☐ SEND TO☐ ABOVE ADDRESS☒ OTHER:

H.S. Hamlin

☐ APPLY AGAINST ADVANCE

EXPLANATION

L-1011 Marketing Services under

Agreement No. I.O./72-1

X

CHARGE TO ACCOUNT/WORK ORDER NO.

W/O 6-3299-1901

REQUESTER'S SIGNATURE

DEPT./ORGN. APPROVAL

H.S. Hamlin

H.S. Hamlin

ACCOUNTING APPROVAL

FINANCE APPROVAL

LOCKHEED-CALIFORNIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION

BURBANK, CALIFORNIA 91503



Marubeni Corporation
624 South Grand Avenue
Los Angeles, California 90017

Schedule of Commissions due
under Agreement No. I.O./72-1
for the Period Ending March 15, 1974

L-1011 Airplanes

Serial No. 193P-1068 Delivered 3-11-74	\$92,500.00
Less Commission paid 8-7-73	<u>18,500.00</u>
Commission due on Serial No. 193P-1068	\$74,000.00
L-1011 No. 6	
\$160,000 X 5%	<u>8,000.00</u>
Total L-1011 Airplane Commission due	<u>\$82,000.00</u>

March 18, 1974

Marubeni American Corporation
624 South Grand Avenue
Los Angeles, California 90017

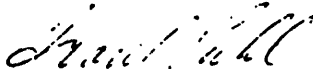
Attention: Mr. Takami Nakajima

Dear Mr. Nakajima:

Enclosed is a commission check in the amount of \$82,000.00 per the schedule of commissions due under Agreement No. L.O./72-1 for the period ending March 15, 1974.

Please contact me if you need further documentation or assistance.

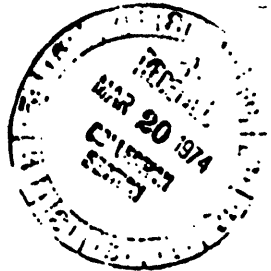
Very truly yours,



F. H. Puhl
Director of Financial Operations

FHP:cm
Enclosures (2)

bcc: H. S. Hamlin



SHIPPED TO

LOCKHEED-CALIFORNIA CORPORATION
 A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
 BURBANK, CALIFORNIA 91503

DATE
MARCH 11, 1974INVOICE NO.
3-0255

DATE SHIPPED

3
NOW SHIPPED

TERMS

SOLD TO

ALL NIPPON AIRWAYS CO. LTD.
 P.O. BOX 106
 KASUNIGASEKI BUILDING
 2-5, KASUNIGASEKI, 3 - CHOME
 CHUYODA-KU
 TOKYO 100 JAPAN
 ATTN: DIRECTOR OF FACILITIES AND PURCHASING DEPT.

AS PER CONTRACT

IN ORDER NO.	CLX-220	OUR ORDER NO.	CL-3100-1070	PACKING SHEET NO.	
ITEM NO.	DESCRIPTION	QUANTITY	UNIT NET	TOTAL NET	
	<p>CONTRACT NO. CLX-220 AS AMENDED</p> <p>LOCKHEED MODEL L-1011 AIRPLANE MANUFACTURED UNDER CONTRACT NO. CLX-220, AS AMENDED</p> <p>LOCKHEED SERIAL NO. 193P-1068 REGISTRATION NO. JAS509 INSTALLED PROPELLER SYSTEMS: ROLLS ROYCE P5.211-222 - SERIAL NO.</p> <p>NO. 1 - WING 10315 NO. 2 - TAIL 10316 NO. 3 - WING 10313</p> <p>BASIC PRICE PER CHANGE ORDER NO. 3 - BLOCK B</p> <p>INCREASE IN PRICE OCCASIONED BY THE OPERATION OF THE PROVISIONS OF ARTICLE 3(b):</p> <p>SUBPARAGRAPH (11) EXHIBIT "A" PRICE ADJUSTMENT DUE TO ABNORMAL ECONOMIC FLUCTUATIONS \$657,798.90</p> <p>SUBPARAGRAPH (111) EXHIBIT "B" EQUIPMENT ESCALATION ADJUSTMENT (155,023.71)</p>	ONE		\$18,114,228.00	
				502,775.	
				\$18,617,003.00	

FORM 800-10

PLEASE DIRECT ANY COMMUNICATIONS ABOUT THIS INVOICE TO THE FINANCE DEPARTMENT

CO TO

LOCKHEED-CALIFORNIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
BURBANK, CALIFORNIA 91503

DATE

MARCH 11, 1974

INVOICE NO.

3-0255

DATE SHIPPED

HOW SHIPPED

TERMS

SOLD TO

ALL NIPPON AIRWAYS CO. LTD.
P.O. BOX 106
KASUMIGASEKI BUILDING
2-5, KASUMIGASEKI, 3 - CHOME
CHIYODA-KU
TOKYO 100 JAPAN
LATIN: DIRECTOR OF FACILITIES AND PURCHASING DEPT.

AS PER CONTRACT

ORDER NO. CLX-220

OUR ORDER NO 6-3100-1000

PACKING SHEET NO.

QTY	DESCRIPTION	QUANTITY	UNIT NET	TOTAL NET
	AMOUNT BROUGHT FORWARD			\$19,617,003.19
	INCREASE IN PRICE PURSUANT TO:			
	ARTICLE 15(d) EQUIPMENT AS SET FORTH IN CHANGE ORDER NOS. 4 AND 7			<u>294,037.77</u>
				\$18,911,090.76
	INCREASE IN PRICE FOR:			
	EQUIPMENT AS SET FORTH IN THE ATTACHED SCHEDULE, IN ACCORDANCE WITH PARAGRAPH B OF LETTER AGREEMENT ALC/220-2 AS AMENDED			<u>27,648.34</u>
				\$18,938,739.10
	LESS:			
	DISCOUNT ALLOWED PURSUANT TO LETTER AGREEMENT ALC/220-4			<u>400,000.00</u>
				\$18,538,739.10
	LESS:			
	PREPAYMENT HERETOFORE RECEIVED IN ACCORDANCE WITH ARTICLE 4(a) OF CONTRACT CLX-220 AS AMENDED			<u>3,622,323.70</u>
				\$14,916,435.30
	LESS:			
	CREDIT ALLOWED PURSUANT TO ARTICLE 15(d) OF CONTRACT CLX-220, REFLECTING PURCHASE BY LOCKHEED FROM BUYER OF CERTAIN EQUIPMENT INCORPORATED IN LOCKHEED MODEL L-1011 AIRPLANE SERIAL NO. 193P-1068			<u>294,037.77</u>
				\$14,622,397.53

FORM 610-10

PLEASE DIRECT ANY COMMUNICATIONS ABOUT THIS INVOICE TO THE FINANCE DEPARTMENT

INVOICE TO

LOCKHEED-CALIFORNIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
BURBANK, CALIFORNIA 91503DATE
MARCH 11, 1974

INVOICE NO

3-0255

DATE SHIPPED

2
NOW SHIPPED

TERMS

SOLD TO

ALL NIPPON AIRWAYS CO. LTD.
P.O. BOX 106
KASUMIGASEKI BUILDING
2-5, KASUMIGASEKI, 3 - CHOME
CHIYODA-KU
TOKYO 100 JAPAN
ATTN: DIRECTOR OF FACILITIES AND PURCHASING DEPT.

AS PER CONTRACT

ORDER NO. CLX-220		OUR ORDER NO. 6-3100-1000		PACKING SHEET NO	
IN NO.	DESCRIPTION	QUANTITY	UNIT NET	TOTAL NET	
	AMOUNT BROUGHT FORWARD			\$14,622,37.62	
	LESS:				
	CREDIT ALLOWED PURSUANT TO PARAGRAPH 8 OF LETTER MEMORANDUM ALC/220-2 AS AMENDED FOR THE AMOUNTS HERETOFORE PAID OR AGREED TO BE PAID BY AN: TO LAC FOR THE PURCHASE OF CERTAIN EQUIPMENT IN- CORPORATED IN LOCKHEED MODEL L-1011 AIRPLANE SERIAL NO: 193P-1068 (SEE NOTE ON PAGE 4)			27,649.31	
	BALANCE DUE UPON DELIVERY			\$14,594,622.49	
		21			

440 000-10

PLEASE DIRECT ANY COMMUNICATIONS ABOUT THIS INVOICE TO THE FINANCE DEPARTMENT

PAGE 10

LOCKHEED-CALIFORNIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
BURBANK, CALIFORNIA 91503DATE
MARCH 11, 1974
INVOICE NO.3-0255
DATE SHIPPED
3

HOW SHIPPED

TERMS

SOLD TO

[ALL NIPPON AIRWAYS CO. LTD
P.O. BOX 105
KASUNIGASEKI BUILDING
2-5, KASUNIGASEKI, 3 - CHOME
CHIYODA-KU
TOKYO 100 JAPAN
ATTN: DIRECTOR OF FACILITIES AND PURCHASING DEPT.]

AS PER CONTRACT

ORDER NO. CLX-220

OUR ORDER NO. 6-3100-1000

PACKING SHEET NO.

NO	DESCRIPTION	QUANTITY	UNIT NET	TOTAL NET
	<p>NOTE: FOR COSTS INCURRED BY LOCKHEED TO THE SUPPLIERS OF BUYER SELECTED EQUIPMENT ITEMS, REFER TO THE FOLLOWING LAC INVOICE(S):</p> <p>*INVOICE NO. DATED</p> <p>F.P. 11-533 11-29-73</p> <p>12-0080 12-20-73</p> <p>*IT SHOULD BE RECOGNIZED THAT SOME ITEMS OF BUYER-SELECTED EQUIPMENT INSTALLED IN THIS AIRPLANE MIGHT HAVE BEEN RECEIVED TOO LATE TO PERMIT LAC TO ISSUE AN INVOICE FOR THE PURCHASE PRICE THEREOF TO ANA AND TO RECEIVE PAYMENT THEREFORE FROM ANA PRIOR TO DELIVERY OF THIS AIRPLANE. IN SUCH INSTANCES, LAC WILL SUBSEQUENTLY INVOICE THESE ITEMS TO ANA AND ANA WILL MAKE PAYMENT THEREFORE TO LAC WITHIN THIRTY (30) DAYS AFTER, RECEIPT OF THE APPLICABLE INVOICE(S).</p>			

FORM 10

PLEASE DIRECT ANY COMMUNICATIONS ABOUT THIS INVOICE TO THE FINANCE DEPARTMENT

LOCKHEED-CALIFORNIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
BURBANK, CALIFORNIA

No 122307

PAY TO THE ORDER OF

CHECK NO.

DATE

AMOUNT

MARUDENI CORPORATION

122307

MAY 1954

\$ 62000.00

SECURITY INFORMATION

TWO SIGNATURES REQUIRED
IF AMOUNT EXCEEDS \$15,000.00LOCKHEED - CALIFORNIA COMPANY
GENERAL ACCOUNT

NON-NEGOTIABLE

NON-NEGOTIABLE

REQUEST FOR CHECK ☒DISBURSEMENT ☐

FORM LAC 141-1

ORIGINATING DEPT. ORGN.	REQUEST DATE	WHEN REQUIRED
81-26	4-15-74	4-16-74

AMOUNT

One Hundred Twenty-Eight Thousand ^{no/100} & 128,000.00

PAYABLE TO

Marubeni Corporation

EMPLOYEE NO.
(IF APPLICABLE)

ADDRESS

Los Angeles, California

DISPOSITION OF CHECK OR FUNDS

☐ SEND TO ABOVE ADDRESS ☒ OTHER: H.S.Hamlin

☐ APPLY AGAINST ADVANCE

EXPLANATION

I-1011 Marketing Services under

Agreement No. I.O./72-1

X

CHARGE TO ACCOUNT/WORK ORDER NO.

W/O 6-3299-1901

REQUESTER'S SIGNATURE <i>H.S.Hamlin</i> H.S.Hamlin	DEPT./ORGN. APPROVAL
ACCOUNTING APPROVAL	FINANCE APPROVAL

LOCKHEED-CALIFORNIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION

BURBANK, CALIFORNIA 91503



Marubeni Corporation
624 South Grand Avenue
Los Angeles, California 90017

Schedule of Commissions due
under Agreement No. I.O./72-1
for the Period Ending April 12, 1974

L-1011 Airplanes

Serial No. 193P-1070 Delivered 4-8-74 \$160,000.00

Less Commission paid 8-7-73 32,000.00

Total L-1011 Airplane Commission due \$128,000.00

April 17, 1974

Marubeni American Corporation
624 South Grand Avenue
Los Angeles, California 90017

Attention: Mr. Takami Nakajima

Dear Mr. Nakajima:

Enclosed is a commission check in the amount of \$129,000.00
per the schedule of commissions due under Agreement No.
I.O. /72-1 for the period ending April 12, 1974.

Please contact me if you need further documentation or
assistance.

Very truly yours,



F. H. Puhl
Director of Financial Operations

FHP:nww
Enclosures (2)

bcc: H. S. Hamlin ✓



REQUEST FOR CHECK ☒DISBURSEMENT ☐

FORM LAC 141-1

ORIGINATING DEPT./ORGN.	REQUEST DATE	WHEN REQUIRED
81-26	7-2-74	7-3-74

AMOUNT

ONE HUNDRED FORTY THOUSAND

FOUR HUNDRED FIFTEEN & 76/100-----, 140,415.76

PAYABLE TO

Marubeni Corporation

EMPLOYEE NO.
(IF APPLICABLE)

ADDRESS

Los Angeles, California

DISPOSITION OF CHECK OR FUNDS

☐ SEND TO ABOVE ADDRESS ☒ OTHER: H. S. Hamlin - 73744

☐ APPLY AGAINST ADVANCE

EXPLANATION

L-1011 Marketing Services under

Agreement No. I.O./72-1

CHARGE TO ACCOUNT/WORK ORDER NO.

W/O 6-3299-1901

REQUESTER'S SIGNATURE 6/7/74 H. S. Hamlin	DEPT./ORGN. APPROVAL
ACCOUNTING APPROVAL	FINANCE APPROVAL

LOCKHEED-CALIFORNIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION

GURBANK, CALIFORNIA 91803



Marubeni Corporation
624 South Grand Avenue
Los Angeles, California 90017

Schedule of Commissions due
under Agreement No. I.O./72-1
for the Period Ending June 30, 1974

L-1011 Airplanes

Serial No. 193P-1082 Delivered 6-25-74	\$160,000.00
Less Commission paid 8-7-73	(24,000.00)
Less Commission paid 3-18-74	<u>(8,000.00)</u>
Total L-1011 Airplane Commission	\$128,000.00

L-1011 Spare Parts

All Nippon Airways, Inc. Promissory
Note No. 002 dated 6-1-74 \$1,241,575.77

Spare Parts Commission @ 1%	<u>12,415.76</u>
Total Commission due	<u>\$140,415.76</u>

July 3, 1974

Marubeni American Corporation
624 South Grand Avenue
Los Angeles, California 90017

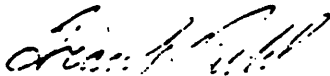
Attention: Mr. Takami Nakajima

Dear Mr. Nakajima:

Enclosed is a commission check in the amount of \$140,415.76 per the schedule of commissions due under Agreement No. I.O./72-1 for the period ending June 30, 1974. Also enclosed is a listing of invoices upon which this payment is based.

Please contact me if you need further documentation or assistance.

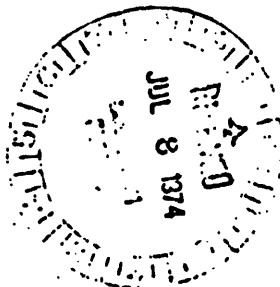
Very truly yours,



F. H. Puhl
Director of Financial Operations

FHP:cm
Enclosures

bcc: H. S. Hamlin



LOCKHEED-CALIFORNIA COMPANY
A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
 GARDEN CITY, CALIFORNIA

No 127805

PAY TO THE ORDER OF

STUDENT CORPORATION

CHECK NO.

127,605

DATE

JUL 31

AMOUNT

\$ 140,419.76

UNION NATIONAL BANK

TWO SIGNATURES REQUIRED
 IF AMOUNT EXCEEDS \$10,000.00

LOCKHEED - CALIFORNIA COMPANY
 GENERAL ACCOUNT

NON-NEGOTIABLE

NON-NEGOTIABLE

REQUEST F CHECK ☒ DISBURSEMENT

FORM LAC 181-1

ORIGINATING DEPT./ORON.	REQUEST DATE	WHEN REQUIRED
81-26	10-4-74	10-4-74
AMOUNT		

Ninety-Six Thousand and 00/100 Dollars ---\$ 96,000.00

PAYABLE TO	EMPLOYEE NO. (IF APPLICABLE)
Marubeni American Corporation	
ADDRESS	
Los Angeles, California	
DISPOSITION OF CHECK OR FUNDS	

<input type="checkbox"/> SEND TO ABOVE ADDRESS	<input checked="" type="checkbox"/> OTHER: J. G. Flesh	<input type="checkbox"/> APPLY AGAINST ADVANCE
EXPLANATION		

L-1011 Marketing Services

under Agreement No. I.O./72-1

*

CHARGE TO ACCOUNT/WORK ORDER NO.

A/c 6-4099 - 1901

REQUESTER'S SIGNATURE J. G. Flesh	DEPT./ORON. APPROVAL
ACCOUNTING APPROVAL	FINANCE APPROVAL

October 4, 1974

Marubeni American Corporation
624 South Grand Avenue
Los Angeles, California 90017

Attention: Mr. Takami Nakajima

Dear Mr. Nakajima:

Enclosed is a commission check in the amount of \$96,000.00 per the schedule of commissions due under Agreement No. L.O. /72-1. This covers advance payments received for aircraft numbers 11 through 14.

Please contact me if you need further documentation or assistance.

Very truly yours,



F. H. Puhl

Director of Financial Operations

FHP:cm
Enclosures (2)

cc: Mr. H. Tanaka

bcc: J. G. Plesh

LOCKHEED-CALIFORNIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
BURBANK, CALIFORNIA 91503

October 4, 1974

Marubeni Corporation
624 South Grand Avenue
Los Angeles, California 90017

Schedule of Commissions due under Agreement No. I.O./72-1

L-1011 Airplanes

Initial Commission on Airplane
Nos. 11 through 14

Commission rate:
\$160,000.00 X 15%

\$24,000.00

Number of Airplanes:

4

Total

\$96,000.00

4:35 PM

SECRET

104080W

1000

DATE FILED: DEC 10 1964

4-2-61
Wm. J. L. LICA
MIL. ST
NEW 1-207

RE 4-24 11 SEPT. NOW IT IS MY UNDERSTANDING THAT PREPAYMENTS TOTALING APPROXIMATELY 10.5 MILLION U.S. DOLLARS COVERING AIRCRAFT 11 THROUGH 17 WILL BE MADE BY THE END OF THIS MONTH. UPON RECEIPT OF SUCH FUNDS WE WILL REPLY THE APPLICABLE COMMISSION A/COUNT.

U. S. F.M.
BUREAU OF FINANCIAL OPERATIONS

TO:
LOCKHEED 909K

MARUBENI LSA

SEPT 11, 1974

ATTN MR F H PUHL DIRECTOR OF FINANCIAL OPERATIONS
MANY THANKS FOR YOUR COOPERATION.

REGARDING THE AIA ORDER COVERING NO.11 THRU NO.14, WE CONSIDER AIA PAID ADVANCE PAYMENT. WOULD YOU PLEASE CHECK THEN WE CAN RECEIVE OUR COMMISSION FOR THE ABOVE ADVANCE PAYMENT.

H TANAKA
MARUBENI AMERICA
MGR AIRCRAFT
TELEX 67-267

LOCKHEED 909K

LOCKHEED-CALIFORNIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT COMPANY 6740042104
 6740042104 6740042104

№ 132323

PAY TO THE ORDER OF

CHECK NO.

DATE

AMOUNT

ARUBENI AMERICAN CORPORATION

1 3 2 3 2 3

OCT 4 74

\$ 96000.00

LOCKHEED - CALIFORNIA COMPANY
GENERAL ACCOUNT

NON-NEGOTIABLE

NON-NEGOTIABLE

SECURITY PACIFIC NATIONAL BANK

TWO SIGAT JUES DELICIOUS
IF YOU ARE INTERESTED \$1.33 50

REQUEST ☒ R-CHECK ☒ DISBURSEMENT ☐

FORM LAC 141-1

ORIGINATING DEPT./ORGN. 81-26	REQUEST DATE 1-10-75	WHEN REQUIRED 1-10-75
----------------------------------	-------------------------	--------------------------

AMOUNT

One Hundred Sixty Thousand and 00/100--- \$ 160,000.00

PAYABLE TO

EMPLOYEE NO.
(IF APPLICABLE)

Marubeni Corporation

ADDRESS

Los Angeles, California

DISPOSITION OF CHECK OR FUNDS

☐ SEND TO ABOVE ADDRESS ☒ OTHER: J. G. Plesh

☐ APPLY AGAINST ADVANCE

EXPLANATION

I-1011 Marketing Services

under agreement No. I.O./72-1

71

CHARGE TO ACCOUNT/WORK ORDER NO.

w/o 6-4099 - 1901

REQUESTER'S SIGNATURE	DEPT./ORGN. APPROVAL
ACCOUNTING APPROVAL	FINANCE APPROVAL

•
LOCKHEED BUBK

MARUBENI A LSA

LOS ANGELES, CALIFORNIA

JAN. 8, 1975

LOCKHEED CALIFORNIA COMPANY
BURBANK

ATTN: MR. F. H. PUHL

DIRECTOR OF FINANCIAL OPERATIONS REGARDING THE
COMMISSION ON L-1011 AIRPLANE WHICH WAS DELIVERED ON
DEC. 1974 AND ALSO 1 PERCENT FOR SPARE PARTS, WOULD YOU
PLEASE CHECK THE STATUS AND INFORM US, BECAUSE WE HAVE NOT
RECEIVED THEM YET. YOUR SPECIAL ATTENTION TO THE ABOVE
WILL BE HIGHLY APPRECIATED. 4

H. TANAKA
MARUBENI AMERICA CORP
MANAGER, AIRCRAFT DEPT.
TELEX NO. -----

•
LOCKHEED BUBK

MARUBENI A LSA

JAN 9 1975

LOCKHEED-CALIFORNIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
BURBANK, CALIFORNIA 91503

~~CONFIDENTIAL~~

January 10, 1975

5

Marubeni Corporation
624 South Grand Avenue
Los Angeles, California 90017

Schedule of Commissions due
under Agreement No. I.O./72-1
for the Period Ending Dec. 29, 1974

5

L-1011 Airplanes

Serial No. 193P-1099 Delivered 12-17-74 \$160,000.00

Less Commission paid 2-15-74 (32,000.00)

L-1011 Airplane Delivery Commission \$128,000.00

Advance Commission on Airplane Nos.
11 through 14

Commission Rate:

\$160,000.00 x 5% \$ 8,000.00

Number of Airplanes 4

Advance Commission \$ 32,000.00

Total Airplane Commissions \$160,000.00

January 13, 1975

Marubeni American Corporation
624 South Grand Avenue
Los Angeles, California 90017

Attention: Mr. Takami Nakajima

Dear Mr. Nakajima:

Enclosed is a commission check in the amount of \$160,000.00 due under Agreement No. I.O. /72-1 for one airplane delivery and additional 5% advance payments on airplane numbers 11-14.

Please contact me if you need further documentation or assistance.

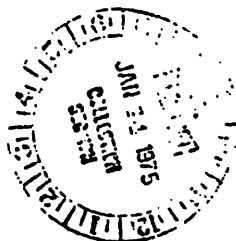
Very truly yours,

15/
F. H. Puhl
Director of Financial Operations

FHP:cm
Enclosures (2)

cc: Mr. H. Tanaka

bcc: J. G. Plesh



LOCKHEED-CALIFORNIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
BURBANK, CALIFORNIA

No 136939

PAY TO THE ORDER OF

MARUBENI CORPORATION

CHECK NO

136939

DATE

JUN 15

AMOUNT

\$ 160,000.00

SECURITY NATIONAL BANK

TWO SIGNATURES REQUIRED
IF AMOUNT EXCEEDS \$15,000.00LOCKHEED - CALIFORNIA COMPANY
GENERAL ACCOUNT

NON-NEGOTIABLE

NON-NEGOTIABLE

REQUEST ⁵ CHECK ☒ DISBURSEMENT ⁵]

FORM LAC 141-1

ORIGINATING DEPT./ORGN.	REQUEST DATE	WHEN REQUIRED
81-26	1-10-75	1-10-75

AMOUNT

Six Thousand Two Hundred Seventy-eight
and 17/100-----

\$ 6,278.27

PAYABLE TO

EMPLOYEE NO.
(IF APPLICABLE)

Marubeni Corporation

ADDRESS

Los Angeles, Calif.

DISPOSITION OF CHECK OR FUNDS

☐ SEND TO
ABOVE ADDRESS ☒ OTHER: J. G. Plesh

☐ APPLY
AGAIN
ADVANCE

EXPLANATION

L-1011 Marketing Services

under agreement No. I.O./72-1

X

CHARGE TO ACCOUNT/WORK ORDER NO.

W/O 6-4099-1901

REQUESTER'S SIGNATURE	DEPT./ORGN. APPROVAL
ACCOUNTING APPROVAL	FINANCE APPROVAL
	Q6LP

✓

January 10, 1975

Marubeni Corporation
624 South Grand Avenue
Los Angeles, California 90017

Schedule of Commissions due
under Agreement No. I.O./72-1
for the Period Ending Dec. 29, 1974

L-1011 Spare Parts

All Nippon Airways, Inc. Promissory
Note No. 003 dated 12-1-74 \$627,816.58

Spare Parts Commission @ 1%

\$ 6,278.17

January 13, 1975

Marubeni American Corporation
624 South Grand Avenue
Los Angeles, California 90017

Attention: Mr. Takami Nakajima

Dear Mr. Nakajima:

Enclosed is a commission check in the amount of \$6,278.17 for spare parts per the enclosed schedule. Also enclosed is a listing of spare parts invoices totaling \$627,816.58 against which this commission is being paid.

Please contact me if you need further documentation or assistance.

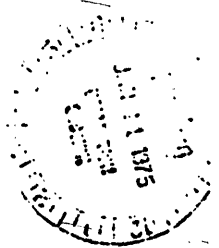
Very truly yours,

13/
F. H. Puhl
Director of Financial Operations

FHP:cm
Enclosures (3)

cc: Mr. H. Tanaka

bcc: J. G. Plesh



LOCKHEED-CALIFORNIA COMPANYA DIVISION OF LOCKHEED AIRCRAFT CORPORATION
BURBANK, CALIF. 91518**No 136938**

PAY TO THE ORDER OF

IRUBENI CORPORATION

CHECK NO.

136938**136938**

DATE

JUN 10 1955

AMOUNT

\$ 6278.17

163

1955

LOCKHEED - CALIFORNIA COMPANY
GENERAL ACCOUNT**NON-NEGOTIABLE****NON-NEGOTIABLE**SECURITY NATIONAL BANK
LOS ANGELESTWO SIGNATURES REQUIRED
IF AMOUNT EXCEEDS \$10,000.00

N^o 138042REQUEST FOR CHECK ☒DISBURSEMENT ☐

FORM LAC 101-1

ORIGINATING DEPT./ORGN.	REQUEST DATE	DATE REQUIRED
81-26	2-3-75	3-4-75

INSTRUMENT

One Hundred Twenty-Eight Thousand
and 00/100-----

\$128,000.00

PAYABLE TO

Marubeni Corporation

ADDRESS

Los Angeles, Calif.

DISPOSITION OF CHECK OR FUNDS

<input type="checkbox"/> SEND TO ABOVE ADDRESS	<input checked="" type="checkbox"/> OTHER: J. G. Flesch Ext: 74210	<input type="checkbox"/> APPLY AGAINST ADVANCE
---	--	--

EXPLANATION

L-1011 Marketing Services

under Agreement No. I.O./72-1

[Handwritten signature]
J. G. Flesch

CHARGE TO ACCOUNT/WORK ORDER NO.

W/O 6-4099 - 1901

REQUESTER'S SIGNATURE <i>J. G. Flesch</i>	DEPT./ORGN. APPROVAL →
ACCOUNTING APPROVAL <i>[Signature]</i>	FINANCE APPROVAL Jr

AMOUNT
\$128,000.00

CALIFORNIA COMPANY
GRAL ACCOUNT

-NEGOTIABLE

-NEGOTIABLE

February 4,⁵ 1975

Marubeni American Corporation
624 South Grand Avenue
Los Angeles, California 90017

Attention: Mr. Takami Nakajima

Dear Mr. Nakajima:

Enclosed is a commission check in the amount of \$128,000.00
per the schedule of commissions due under Agreement No. I. O. /72-1
for the period ending February 2, 1975.

Please contact me if you need further documentation or assistance.

Very truly yours,

F. H. Puhl
Director of Financial Operations

FHP:cm
Enclosures (2)

cc: Mr. H. Tanaka

bcc: J. G. Plesh

February 4, 1975

Marubeni Corporation
 624 South Grand Avenue
 Los Angeles, California 90017

Schedule of Commissions due
 under Agreement No. I.O./72-1
for the Period Ending Feb. 2, 1975

L-1011 Airplanes

Serial No. 193P-1100	Delivered 1-16-75	\$160,000.00
Less Commission paid 2-15-74		<u>(32,000.00)</u>
L-1011 Airplane Delivery Commission		<u>\$128,000.00</u>

LOCKHEED-CALIFORNIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
BURBANK, CALIFORNIA

No 138

PAY TO THE ORDER OF

MARUBENI CORPORATION

CHECK NO

138042

DATE

FEB 475

AMOUNT

\$ 12800

SECURITY PACIFIC NATIONAL BANK
123 456 789TWO SIGNATURES REQUIRED
IF AMOUNT EXCEEDS \$10,000.00LOCKHEED - CALIFORNIA COMPANY
GENERAL ACCOUNTBY NON-NEGOTIABLEBY NON-NEGOTIABLE

LOCKHEED-CALIFORNIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
BURBANK, CALIFORNIA

No 141143

PAY TO THE ORDER OF

MARUBENI CORPORATION

CHECK NO

141143

DATE

FEB 375

AMOUNT

\$ 123000.0

SECURITY PACIFIC NATIONAL BANK
123 456 789TWO SIGNATURES REQUIRED
IF AMOUNT EXCEEDS \$10,000.00LOCKHEED - CALIFORNIA COMPANY
GENERAL ACCOUNTBY NON-NEGOTIABLEBY NON-NEGOTIABLE

REQUEST FOR CHECK ☒DISBURSEMENT ☐

FORM LFC 141-1

ORIGINATING DEPT./ORGN.

REQUEST DATE

WHEN REQUIRED

01-26

4-2-73

4-3-73

AMOUNT

One Hundred Twenty-Eight Thousand
and 00/100

\$ 123,000.00

PAYABLE TO

EMPLOYEE NO.
(IF APPLICABLE)

Mrubeni Corporation

ADDRESS

Los Angeles, Calif.

DISPOSITION OF CHECK OR FUNDS

☐ SEND TO
ABOVE ADDRESS☒

OTHER:

J. G. Flesh Ext: 74210

☐APPLY
AGAINST
ADVANCE

EXPLANATION

L-1011 Marketing Services

under Agreement No. I.O./72-1

CHARGE TO ACCOUNT/WORK ORDER NO.

W/O 6-4099 - 1901

REQUESTER'S SIGNATURE

DEPT./ORGN. APPROVAL

J. G. Flesh

ACCOUNTING APPROVAL

FINANCE APPROVAL

April 3, 1975

Marubeni American Corporation
684 South Grand Avenue
Los Angeles, California 90017

Attention: Mr. Takami Nakajima

2

Dear Mr. Nakajima:

Enclosed is a commission check in the amount of \$123,000.00 per the schedule of commissions due under Agreement No. I.O./72-1 for one airplane delivery on April 2, 1975.

Please contact me if you need further documentation or assistance.

Very truly yours,

F. H. Pahl
Director of Financial Operations

FHP:ln
Enclosure (2)

cc: Mr. E. Tanaka

bcc: J. G. Fleah

Marble Corporation
604 South Grand Avenue
Los Angeles, California

Exhibit A
Statement of Account

Statement of Account

Period End. 1934-1935	\$250,000.00
Less Commissions paid	<u>(72,000.00)</u>
L-1011 Airplane Delivery Commission	<u>\$123,000.00</u>

LOCKHEED-CALIFORNIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
BURBANK, CALIFORNIA

No 141575

PAY TO THE ORDER OF

CHECK NO

DATE

AMOUNT

MARBLE CORPORATION

141575

APR 11 75

\$123,000.00

ONE HUNDRED TWENTY EIGHT THOUSAND AND NO/100

LOCKHEED - CALIFORNIA COMPANY
GENERAL ACCOUNT

SECURITY NATIONAL BANK

TWO SIGNATURES REQUIRED
IF AMOUNT EXCEEDS \$10,000.00

NON-NEGOTIABLE

NON-NEGOTIABLE

REQUEST FOR

CHECK ☒DISBURSEMENT ☐

FORM LAC 161-1

ORIGINATING DEPT./ORGN.

REQUEST DATE

WHEN REQUIRED

81-26

4-10-75

4-11-75

AMOUNT

One Hundred Twenty-Eight Thousand
and 00/100-----

\$ 128,000.00

PAYABLE TO

EMPLOYEE NO.
(IF APPLICABLE)

Marubeni Corporation

ADDRESS

Los Angeles, Calif.

DISPOSITION OF CHECK OR FUNDS

☐ SEND TO☐ ABOVE ADDRESS☒ OTHER: J. G. Plesh Ext: 74210☐ APPLY
AGAINST
ADVANCE

EXPLANATION

L-1011 Marketing Services

under Agreement No. I.O./72-1

CHARGE TO ACCOUNT/WORK ORDER NO.

W/O 6-4099 - 1901

REQUESTER'S SIGNATURE

DEPT./ORGN. APPROVAL

J. G. Plesh

ACCOUNTING APPROVAL

FINANCE APPROVAL

April 11, 1975

Marubeni American Corporation
624 South Grand Avenue
Los Angeles, California 90017

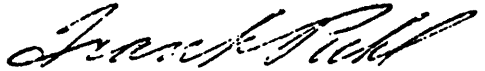
Attention: Mr. Takami Nakajima

Dear Mr. Nakajima:

Enclosed is a commission check in the amount of \$128,000.00
per the schedule of commissions due under Agreement No.
I.O./72-1 for one airplane delivery on April 10, 1975.

Please contact me if you need further documentation or
assistance.

Very truly yours,



F. H. Puhl
Director of Financial Operations

FHP:cm
Enclosures (2)

cc: Mr. H. Tanaka

bcc: J. G. Plesh

LOCKHEED-CALIFORNIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
BURBANK, CALIFORNIA 91503

APR 11 1975

Marubeni Corporation
624 South Grand Avenue
Los Angeles, California 90017

Schedule of Commissions due
under Agreement No. I.O./72-1

L-1011 Airplane

Serial No. 193P-1105	Delivered 4-10-75	\$160,000.00
Less Commission paid 2-15-74		<u>(32,000.00)</u>
L-1011 Airplane Delivery Commission		<u>\$128,000.00</u>

LOCKHEED-CALIFORNIA COMPANY⁸

NO 143525

PAY TO THE ORDER OF

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
BURBANK, CALIF. 91503

MARUBENI CORPORATION

CHECK NO

DATE

AMOUNT

143525

MY 1975

\$ 256,000.00

LOCKHEED - CALIFORNIA COMPANY
GENERAL ACCOUNT

NON-NEGOTIABLE

NON-NEGOTIABLE

SECURITY PACIFIC NATIONAL BANK
LOS ANGELES, CALIF.

TWO SIGNATURES REQUIRED
IF AMOUNT EXCEEDS \$10,000.00

REQUEST FOR CHECK ☒DISBURSEMENT ☐

FORM LAC 141-1

ORIGINATING DEPT./ORGN.

REQUEST DATE

WHEN REQUIRED

81,26

5

5-19-73

5-19-73

AMOUNT

Two Hundred Fifty-Six Thousand & 00/100-\$256,000.00

PAYABLE TO

EMPLOYEE NO.
(IF APPLICABLE)

Marubeni Corporation

ADDRESS

Los Angeles, Calif.

DISPOSITION OF CHECK OR FUNDS

☐ SEND TO
ABOVE ADDRESS☒ OTHER: J.G.Flesh Ext: 54210☐ APPLY
AGAINST
ADVANCE

EXPLANATION

L-1011 Marketing Services

under Agreement No. I.O./72-1

CHARGE TO ACCOUNT/WORK ORDER NO.

W/O 6-4099 - 1901

REQUESTER'S SIGNATURE

DEPT./ORGN. APPROVAL

J. G. Flesh

ACCOUNTING APPROVAL

FINANCE APPROVAL

May 20, 1975

Marubeni American Corporation
624 South Grand Avenue
Los Angeles, California 90017

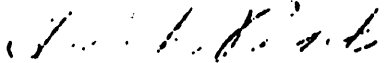
Attention: Mr. Takami Nakajima

Dear Mr. Nakajima:

Enclosed is a commission check in the amount of \$256,000.00 per the schedule of commissions due under Agreement No. I.O./72-1 for two airplane deliveries in May 1975.

Please contact me if you need further documentation or assistance.

Very truly yours,



F. H. Puhl
Director of Financial Operations

FHP:jk
Enclosures (2)

cc: Mr. H. Tanaka

bcc: J. G. Plesh

May 20, 1975

Marubeni Corporation
 624 South Grand Avenue
 Los Angeles, California 90017

Schedule of Commissions due
under Agreement No. I.O./72-1

L-1011 Airplanes

Serial No. 193P-1112	Delivered 5-12-75	\$160,000.00
Serial No. 193P-1113	Delivered 5-19-75	160,000.00

Less Commissions Paid:

October 4, 1974	(48,000.00)
January 10, 1975	(16,000.00)

Balance Due on Deliveries

\$256,000.00

REQUEST ☒ CHECK ☐DISBURSEMENT ☐ 2

FORM LAC 141-1

ORIGINATING DEPT./ORGN.	REQUEST DATE	WHEN REQUIRED
81-26	6-6-75	6-9-75

AMOUNT

Four Thousand Six Hundred
Ninety Five and 87/100

\$ 4,695.87

PAYABLE TO

Marubeni Corporation

EMPLOYEE NO.
(IF APPLICABLE)

ADDRESS

Los Angeles, California

2

DISPOSITION OF CHECK OR FUNDS

☐ SEND TO
ABOVE ADDRESS ☒ OTHER:

J. G. Flesh

☐ APPLY
AGAINST
ADVANCE

EXPLANATION

I-1011 Marketing Services under

Agreement No. I.O./72-1

CHARGE TO ACCOUNT/WORK ORDER NO.

W. O. 61-4099-1901

REQUESTER'S SIGNATURE	DEPT./ORGN. APPROVAL
ACCOUNTING APPROVAL	FINANCE APPROVAL J. G. Flesh



June 9, 1975

Marubeni American Corporation
624 South Grand Avenue
Los Angeles, California 90017

Attention: Mr. Takami Nakajima

Dear Mr. Nakajima:

Enclosed is a commission check in the amount of \$4,695.87 per the schedule of commissions due under Agreement No. I. O. /72-1. Also enclosed is a summary and detail list of spares invoices to which this payment applies.

Please contact me if you need further documentation or assistance.

Very truly yours,

F. H. Pühl
Director of Financial Operations

FHP:cm
Attachments (2)

cc: Mr. H. Tanaka

bcc: J. G. Plesh

August 5, 1974)

Corubeni American Corporation
24 South Grand Avenue
Los Angeles, California 90017

Dear Mr. Makajima:

Enclosed please find the two letters covering the previous payments of commissions on spare parts as you requested. In the future we will prepare separate checks for the commissions on spare parts, so they may be forwarded with separate transmittal letters.

Very truly yours,

F. H. Puhl
Director of Financial Operations

FHP:rr

August 1, 1974

Marubeni American Corporation
624 South Grand Avenue
Los Angeles, California 90017

Attention: Mr. Takami Nakajima

Dear Mr. Nakajima:

The attached is the payment covering commission of 1% for the spare parts. The total amount due is \$9,044.85 and covers period from August 8, 1973 to October 24, 1973.

Sincerely yours,


P. H. Puhl
Director of Financial Operations


JH:rr

Attach.

LOCKHEED-CALIFORNIA COMPANY

Check Number	119254
Check Date	January 14, 1974

Airplane Commission	\$74,000.00
Spare Parts Commission	<u>9,044.85</u>
Total Check	<u>\$83,044.85</u>

August 1, 1974

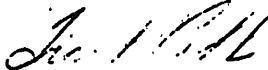
Marubeni American Corporation
624 South Grand Avenue
Los Angeles, California 90017

Attention: Mr. Takami Nakajima

Dear Mr. Nakajima:

The attached is the payment covering commission of 1% for the spare parts.
The total amount due is \$12,415.76 and covers period from October 25, 1973
to May 31, 1974.

Very truly yours,



F. H. Puhl
Director of Financial Operations

Hld
HP:rr

Attach.

YAMAGUCHI-CALIFORNIA COMPANY

Check Number

127805

Check Date

July 3, 1974

Airplane Commission

\$128,000.00

Spare Parts Commission

12,415.76

Total Check

\$140,415.76

INVOICE

LOCKHEED-CALIFORNIA COMPANY

A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
BURBANK, CALIFORNIA 91503

SPRINTS

DATE

FEBRUARY 4, 1974

INVOICE NO.

P.F. 2-586

DATE SHIPPED

HOW SHIPPED

TERMS

DUE MARCH 1, 1974

SOLD TO

ALL NIPPON AIRWAYS CO. LTD.

P.O. BOX 106

KASUMIGASEKI BUILDING

2-5, KASUMIGASEKI, 2 - CHOME

CHITODA-KU

TOKYO 100 JAPAN

ATTN: DIRECTOR OF FACILITIES AND PURCHASING DEPT.

OUR ORDER NO.

PACKING SHEET NO.

DESCRIPTION

QUANTITY

UNIT NET

TOTAL NET

CONTRACT NO. CLX-220
AS AMENDED

BLOCK B AIRPLANE - SERIAL NO. 193F-1082

FIFTH INSTALLMENT OF THE PURCHASE PRICE OF ONE
(1) LOCKHEED MODEL L-1011 AIRPLANE SCHEDULED FOR
DELIVERY BY THE END OF JUNE, 1974 AS SET FORTH IN
ARTICLE 4 (a) (v) OF THE CONTRACT AS AMENDED BY
LETTER AGREEMENT ALC/220-7

7% OF \$18,114,228

\$905,711.40



PLEASE DIRECT ANY COMMUNICATIONS ABOUT THIS INVOICE TO THE FINANCE DEPARTMENT

June 17, 1974

Mr. H. Tanaka
Manager Aircraft
Kirubeni American Corp.
624 South Grand Ave.
Los Angeles, Calif. 90017

Subject: L-1011 Spare Parts Commissions

Re: Your letter dated June 11, 1974 - LAIR-10/504

Dear Mr. Tanaka:


In response to your referenced letter we have reviewed the problem of furnishing you data to support the subject billings. The commission payment of \$9,044.85 referred to in your referenced letter was based on approximately 850 invoices. I am sure that you can appreciate the cost of furnishing copies of that volume of invoices.

As an alternative we would propose to furnish a listing of the invoices reflecting the date of the invoice, the invoice number and the amount.

We are forwarding herewith the listing to support the \$9,044.85 commission referred to in your referenced letter. In the future such a listing will be forwarded at the time the commission is paid.

Unless we hear to the contrary we will assume that this data will be sufficient to back-up the subject payments.

Sincerely,


G. A. Andres
Chief Accountant

7B
GAA:DWB:rr

Attach.

D. W. Brannertine w/o attachment
cc: L. H. Arnold w/o attachment

REQUEST FOR CHECK ☒DISBURSEMENT ☐ MEMO ENTRY ☐

FORM LAC 101-1

ORIGINATING DEPT./ORGN.	REQUEST DATE	WHEN REQUIRED
04-20	1-7-74	1-7-74

AMOUNT
Four hundred fifty thousand

and 00/100.....\$450,000.00

PAYABLE TO *Chase Manhattan Bank* EMPLOYEE NO. (IF APPLICABLE)

Lockheed Aircraft Corporation A. G.

ADDRESS

DISPOSITION OF CHECK OR FUNDS

☐ SEND TO ABOVE ADDRESS ☐ OTHER:☐ APPLY AGAINST ADVANCE

EXPLANATION

L-1011 Commissions to (ANA)

CHARGE TO ACCOUNT/WORK ORDER NO.

Bill Colac Direct

REQUESTER'S SIGNATURE <i>J. S. Poindexter</i>	DEPT./ORGN. APPROVAL <i>L. T. Barrow</i>
ACCOUNTING APPROVAL 7-1964	FINANCE APPROVAL

① 450,000 LAHAG
 3/ 83045 Member
 4/ 74000 ✓
 5/ 128000 ✓
 881,045 F193

CHECK ☒ DISBURSEMENT ☐

REQ. DEPT./ORGN.	REQUEST DATE	WHEN REQUIRED
81-26	2-5-74	2-5-74

AMOUNT

Seventy-Four Thousand and 00/100----- \$ 74,000.00 //

PAYABLE TO

Marubeni Corporation
12842M

EMPLOYEE NO.
(IF APPLICABLE)

Los Angeles, California

DISPOSITION OF CHECK OR FUNDS

SEND TO

☐ ABOVE ADDRESS ☒ OTHER: H.S. Hamlin Ext. 77000

☐ APPLY
ADJUST
ADVANCE

EXPLANATION

L-1011 Marketing Services under

Agreement No. 1,0/72-1

CHARGE TO ACCOUNT/WORK ORDER NO.

A/G 1999

REQUESTER'S SIGNATURE <i>H.H.</i>	DEPT./ORGN. APPROVAL
H.S. Hamlin	
ACCOUNTING APPROVAL	FINANCE APPROVAL
	1s/ L.4A

FRANCOIS LUND \$742,463.00
SUBPARAGRAPH (111)
EXHIBIT "B" EQUIPMENT ESCALATION ADJUSTMENT (134,450.43)

COMPANY

PAGE 1 OF 4

DATE
JANUARY 28, 1974
INVOICE NO.
1-0076
DATE SHIPPED

HOW SHIPPED

TERMS

AS PER CONTRACT

PACKING SHEET NO.

QUANTITY	UNIT NET	TOTAL
ONE		\$18,663.1
		608.1
		\$19,271.1
X13.1 2/7 2		

REQUEST FOR CHECK NO.

JUNCEMENT

FORM LAC 100

ORIGINATING OFFICE/ORGAN.

REQUEST DATE

WHEN REQUIRED

01-25

2-21-74

2-22-74

AMOUNT

IPANY

TION

Seventy-Four Thousand and no/89----- \$ 74,000.00

PAYABLE TO

EMPLOYEE NO.
(IF APPLICABLE)

Marubeni Corporation

ADDRESS

Los Angeles, Calif.

DISPOSITION OF CHECK OR FUNDS

☐ SEND TO

ABOVE ADDRESS

☒ OTHER: H.S. Hamlin☐ APPLY
AGAINST
ADVANCE

EXPLANATION

I-1011 Marketing Services under

Agreement No. I.O./72-1

1974

\$92,500.00

18,500.00

CHARGE TO ACCOUNT/WORK ORDER NO.

\$74,000.00

A/C 1959

REQUESTER'S SIGNATURE <i>CH</i>	DEPT./ORGN. APPROVAL H.S. Hamlin
ACCOUNTING APPROVAL	FINANCE APPROVAL

LOOK TO LOCKHEED FOR LEADERSHIP

LOCKHEED - CALIFORNIA COMPANY
A DIVISION OF LOCKHEED AIRCRAFT CORPORATION
BURBANK, CALIFORNIA

No 12370

CHECK NO
123707DATE
APR 16 74AMOUNT
\$ 128,000.00HEAD OFFICE
SECURITY PACIFIC NATIONAL BANK
LOS ANGELESTWO SIGNATURES REQUIRED
IF AMOUNT EXCEEDS \$15,000.00LOCKHEED - CALIFORNIA COMPANY
GENERAL ACCOUNT

NON-NEGOTIABLE

NON-NEGOTIABLE

☐ SEND
ABOVE ADDRESS
EXPLANATION

L-1011 Marketing Services under

Agreement No. I.O./72-1

CHARGE TO ACCOUNT/WORK ORDER NO.

note
6-3299-1901

REQUESTER'S SIGNATURE <i>H. S. Hamlin</i> H.S. Hamlin	DEPT./ORGN. APPROVAL
ACCOUNTING APPROVAL	FINANCIAL APPROVAL <i>Levin H. Arnold</i>

X13.1 1/1

X 47116 @ 3,571,901.00 1/11/74 207 0-100 1/11/74
X 7-9-9-10
X 13.1 3/1
5/5

REQUEST FOR CHECK ☒ DISBURSEMENT ☐

ORIGINATING DEPT./ORGN. REQUEST DATE WHEN REQUIRED

81-26 7-2-74 7-3-74

AMOUNT

ONE HUNDRED FORTY THOUSAND
FOUR HUNDRED FIFTY & 76/100----- \$140,415.76

PAYABLE TO

Marubeni Corporation

Los Angeles, California

DISPOSITION OF CHECK OR FUNDS

☐ SEND TO ADDRESSEE ☒ OTHER: H. S. Hamlin - 73744 ☐ APPLY AGAINST ADVANCE

EXPLANATION

L-1011 Marketing Services under

Agreement No. I.O./72-1

ch rec'd 7-3-74
Glenn Schell

CHECK TO ACCOUNT/WORK ORDER NO.

W/O 6-3299-1901

REQUESTER'S SIGNATURE <i>H. S. Hamlin</i> H. S. Hamlin REQUESTING APPROVAL	DEPT./ORGN. APPROVAL <i>H. L. Williams</i> FINANCE APPROVAL
---	---

DETACH BEFORE DISBURSING

LOCKHEED-CALIFORNIA COMPANY

PROPERTY OF LOCKHEED-CALIFORNIA COMPANY

THIS CHECK IS NOT VALID UNLESS IT IS COUNTERSIGNED BY THE ISSUING OFFICE

LOCKHEED - CALIFORNIA COMPANY

NON-NEGOTIABLE

NON-NEGOTIABLE

141000

SETTLEMENT OF THE FOLLOWING ITEMS

MARKETING SERVICES AGREEMENT

I.O./72-1

AMOUNT OF CHECK

\$140,415.76

PAY TO THE ORDER OF

MANUBENI CORPORATION

CHECK NO.

127805

DATE

M. 31

AMOUNT

\$140,415.76

LOCKHEED-CALIFORNIA COMPANY

No 127805

REQUEST FOR CHECK ☒ DISBURSEMENT ☐

FORM LSC 10-1

ORIGINATING DEPT. OR ORG.	REQUEST DATE	WHEN REQUIRED
01-26	10-4-74	10-4-74

LSC 10-1

Ninety-Six Thousand and 00/100 Dollars --- \$ 96,000.00

PAYABLE TO

Marubeni American Corporation

LSC 10-1

Los Angeles, California

DISPOSITION OF CHECK OR FUNDS

☐ SEND TO ADDRESSEE ☒ OTHER: J. G. Fleish☐ APPLY AGAINST ADVANCE

EXPLANATION

L-1011 Marketing Services

Under Agreement No. I.O./72-1

MAILED TO ACCOUNT/BOOK OR G/L NO.

A/c 6-4799 - 1901

APPROVED BY CHIEF

DEPT. OR ORG. APPROVAL

OFFICE APPROVAL

J. G. Fleish

LOCKHEED-CALIFORNIA COMPANY

A DIVISION OF LOCKHEED CORPORATION

DETACH BEFORE DEPOSITING

CHECK NO. 132323

THIS CHECK IS NON-NEGOTIABLE

NON-NEGOTIABLE
NON-NEGOTIABLE

LOCKHEED-CALIFORNIA COMPANY

CHECK NO. 132323

132323
INITIAL ADVISE
SETTLEMENT OF THE FOLLOWING ITEMS
CHECK NO. 132323
\$96,000.00

MARUBENI AMERICAN CORPORATION

LOS ANGELES, CALIFORNIA

CHECK NO. 132323

DATE 10/4/74

AMOUNT \$96,000.00

LOCKHEED-CALIFORNIA COMPANY
A DIVISION OF LOCKHEED CORPORATION
LOS ANGELES, CALIFORNIA

NE 132323

August 9, 1973

I received One Hundred Peanuts.

Hiroshi Itoh
Hiroshi Itoh

150 (One hundred fifty) pieces.

H. Itoh
H. Itoh

August 9, 1973

I received One Hundred Peanuts.

Hiroshi Itoh
Hiroshi Itoh

RECEIPT

January 21, 1974

I have received 125 (one hundred twenty-five) pieces.

Hiroshi Itoh
Hiroshi Itoh

RECEIPT

Received One Hundred Twenty-five (125) pieces.

February 28, 1974

Hiroshi Itoh
Hiroshi Itoh

領 収 証

No.

様

年 月 日

②

世

上記正に領収いたしました

Replaced by new
 receipt dated 25 May 73



11

Receipt

Date Jan. 28. 73

To the Hon. Secy of the Navy
 for the purchase of 1000 lbs of
 rice for the Navy

\$ 60,000.00

for the purchase of 1000 lbs of
 rice for the Navy

Katayama

Receipt

No. *13-16-17-18-19-20-21-22-23-24-25-26-27-28-29-30-31-32-33-34-35-36-37-38-39-40-41-42-43-44-45-46-47-48-49-50-51-52-53-54-55-56-57-58-59-60-61-62-63-64-65-66-67-68-69-70-71-72-73-74-75-76-77-78-79-80-81-82-83-84-85-86-87-88-89-90-91-92-93-94-95-96-97-98-99-100*
 Date *5-15-73*
 Messrs *James L. Howard & Co. Inc.*
 Received the sum of



¥ 60,000,000 ¥

J. L. Howard

US\$ 203,000
May 25, 1973

Inspected Original
6/24/75

領 収 証

No. _____

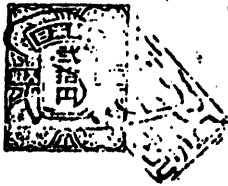
LOCKHEED 様

July 16, 1973
48,7.16 日

¥ 180,000.00

但

上記正に領収いたしました



[Handwritten signature]

FOR SERVICES RENDERED
UNDER OUR AGREEMENT

*Inspected original
Junk
6/24/75*

OK

7/10 OK 1/1

領 収 証

No. _____

Loattee 様

Aug 7, 1973
48.8. 17

50,000.00

上記正に領収いたしました



[Handwritten signature]

FOR SERVICES RENDERED
THANK OUR ACKNOWLEDGMENT

*Inspected original
Paul
6/24/75*

B

OK

領 収 証

No. _____

La-Kite-P 様

Aug 14, 1972
48.8.14 B

100,000,000

但

上記正に領収いたしました



[Handwritten signature]

FOR SERVICES RENDERED
UNDER OUR AGREEMENT

*Original original
Check
6/24/75*

Receipt

Date 19. 1. 25

- what date
1-25-74

To: Messrs. LOCKHEED AIRCRAFT

Received the sum of



Inspected by [unclear] 1/24/75

S. [unclear]

440,428.57 & 200 1/4/74

Receipt

Date

49. 2. 18

what date
2-18-74

To: Messrs. LOCKHEED AIRCRAFT

Received the sum of




Inspected by [unclear] 1/24/75

S. [unclear]

to the [unclear] of [unclear]?



*Receipt form
pick up person*

Receipt		8A
No. _____	Date <u>June 18, 1974</u>	
From <u>Lockheed Aircraft International AG</u>		
Received the sum of		
\$20,720,000*		
		<i>J. Katan</i> 

70-467

-228

Receipt

No. _____

Date September 2, 1974Mass. Lockheed Aircraft International

Received the sum of

¥ 30,000,0000179
105.70**Receipt**No. 111Date 47.12.7Mass. ロッキード・カンパニー 株式会社

Received the sum of

¥ 60,000,000

LOCKHEED CONSULTING AGREEMENT

- I. This agreement, entered into as of the 15th day of January 1962, contains the terms and conditions under which the Lockheed Aircraft Corporation (called "Lockheed" in this agreement) appoints Yoshio Takagi (called "Consultant" in this agreement), to render marketing services to be rendered in connection with the sale by Lockheed, its divisions and subsidiaries (sometimes collectively called "Seller" in this agreement), of its products and services (called "Products" in this agreement) to customers in the Country of Japan (called "Territory" in this agreement).

- II. "Customer" means any purchaser, including a publicly or privately organized entity, whose principal office and place of business is in the Territory.

III. Consultant's Undertakings

Consultant shall:

- A. Devote his best efforts to cultivate sales prospects and markets for the Products in the Territory.
- B. Cooperate with and assist Lockheed's and Seller's employees and representatives in their efforts to sell the Products to Customers.
- C. Advise Lockheed of political, economic and competitive conditions affecting sales of the Products in the Territory, and the needs, desires and financial capacity of prospective Customers for the Products.
- D. Provide guidance to Lockheed in making contacts with actual or prospective Customers.
- E. Counsel and advise Lockheed of the rules, regulations, and business practices attendant to the marketing of the Products in the Territory.
- F. Submit reports to Lockheed as requested, including information relating to A. through E. above.

IV. Compensation to Consultant

- A. Except as provided in B. below, as full compensation for Consultant's services under this agreement, Lockheed shall pay Consultant during the period this agreement is in effect a retainer fee of Japanese Yen 50,000,000 per year, payable Yen 25,000,000 on January 1st, and Yen 25,000,000 on July 1st of each year, each such payment to cover Consultant's services for the six-month period following the due date of such payment.

- B. As a condition of compensation Consultant shall be paid a commission on the sales of Seller's Products to Customers in the Territory or any, but not both, from time to time as provided in this agreement specifying such facts and the commission rate applicable thereto.

V. Period of Agreement and Termination:

- A. The term of this agreement (as from time to time amended in accordance with Article IV.B. hereof) shall commence as of the date hereof and shall continue until terminated by either party upon sixty (60) days' written notice to the other party. Such notice may be sent by registered mail, cable, or radiogram to the appropriate address set forth in Article X or to such other address as may be specified in writing.
- B. If this agreement is terminated, as specified above, the sole obligation of Lockheed or Seller hereunder shall be payment of any compensation, as specified in Article IV.B. hereof.

VI. Limitation of Consultant's Acts and Authority

- A. Consultant's activities under this agreement shall be subject to Lockheed's policies and to directives issued by Lockheed from time to time.
- B. Consultant may not:
1. Accept, approve, or execute any order, contract or other obligation on behalf of, or in the name of, Lockheed or Seller.
 2. Make representations inconsistent with Seller's written guarantees, representations or warranties of the Products.
 3. Sell, represent, or offer for sale, without the written consent of Lockheed, items which are competitive with the Products.
- C. Consultant shall be deemed to be an independent contractor and shall neither be, nor represent himself to be, an employee or agent of Lockheed.

VII. Expenses

Consultant shall assume and discharge for his own account all costs and expenses necessary or incidental to this agreement including, but not limited to, travel, subsistence, and entertainment expenses, and shall indemnify and hold Lockheed and Seller harmless for all such costs and expenses and all claims, promises, guarantees, debts, obligations, and liabilities of any kind made, incurred, contracted for or created by him which have not been specifically assumed in advance in writing by Lockheed.

VIII. Assignment

Neither this agreement nor monies due or to become due hereunder may be assigned, in whole or in part, by Consultant without Lockheed's prior written consent. Lockheed may, however, at its sole discretion, assign this agreement, in whole or in part, to any wholly-owned subsidiary of Lockheed.

IX. Interpretation; Entire Agreement; Amendment

This agreement:

- A. Shall be construed in accordance with the laws of the State of California, U.S.A.
- B. Constitutes the entire understanding of the parties concerning the subject matter hereof.
- C. May be altered or amended only in writing signed by both parties subsequent to the date of this agreement.


X. Notices

Lockheed is a California corporation with its principal office at 2555 North Hollywood Way, Burbank, California 91503. Consultant is an individual with an address at 6-24-20 Tadokoro, Setagaya-ku, Tokyo, Japan.

Executed by each of the parties hereto as of the day and year first above written.

LOCKHEED AIRCRAFT CORPORATION


"Consultant"

By 
Its attorney in fact
"Lockheed"

見田島士夫

MARKETING CONSULTANT AGREEMENT
AMENDMENT NUMBER 1

- I. Lockheed Aircraft Corporation and Consultant have heretofore entered into a Marketing Consultant Agreement dated as of January 15, 1969. It is the desire of the parties to amend the provisions of the Marketing Consultant Agreement as provided for in Article IX, C. thereof.
- II. In accordance with the provisions of Article IV, B. of said Marketing Consultant Agreement, this Amendment Number 1 sets forth additional compensation to be paid Consultant for the first sale of Lockheed Model L-1011 TriStar Aircraft to any major airline in the Territory.
- III. Lockheed will pay Consultant as compensation for Consultant's special efforts and time in assisting Lockheed with the sales activities of Lockheed Model L-1011 TriStar Aircraft with a major airline in the Territory the following amounts at the times specified:
 - A. Yen 1,220 million upon receipt by Lockheed of an initial firm order for three (3) to six (6) Model L-1011 aircraft (new).
 - B. U.S. \$120,000 (or equivalent yen not to exceed 36 million) for each additional Model L-1011 aircraft ordered by the same purchaser commencing with the seventh (7th) aircraft through the fifteenth (15th) aircraft. Such amount to be payable upon delivery of the aircraft by Lockheed to the purchaser.
 - C. U.S. \$60,000 (or equivalent yen not to exceed 18 million) for each additional Model L-1011 aircraft ordered by the same purchaser commencing with the sixteenth (16th) aircraft. Such amount to be payable upon delivery of the aircraft by Lockheed to the purchaser.
- IV. Except as hereby amended, the aforesaid Marketing Consultant Agreement dated as of January 15, 1969 shall remain in full force and effect in accordance with its terms and provisions.
- V. In Witness Whereof, the parties hereto have executed this Amendment of Agreement in duplicate.

Executed by each of the parties hereto as of June 1, 1969

LOCKHEED AIRCRAFT CORPORATION


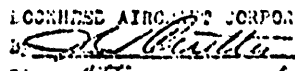
By *[Signature]*
 Its *Attorney in fact*
 "Lockheed"

"Consultant"

LOCKHEED AIRCRAFT CORPORATIONAMENDMENT NUMBER 2

- I. Lockheed Aircraft Corporation and Consultant have heretofore entered into a Marketing Consultant Agreement dated as of January 15, 1969, and as amended by Amendment Number 1 dated as of June 1, 1969.
- II. It is the desire of the parties to further amend said Marketing Consultant Agreement as herein below provided.
- III. In accordance with the provisions of Article IV.B. of said Marketing Consultant Agreement, Lockheed desires to avail itself of Consultants special efforts and time to assist Lockheed with the sales activities of Lockheed Model L-1011 TriStar Aircraft with a second airline (other than contemplated by Amendment Number 1) in the Territory.
- IV. As compensation for the services set forth in Paragraph III above, Lockheed will pay Consultant the following amounts at the times specified:
 - A. Yen one and one-half (1½) billion upon receipt by Lockheed of a firm initial order for three (3) to five (5) new Model L-1011 Aircraft, such sum payable Yen seven hundred (700) million upon receipt of said order, Yen four hundred (400) million within sixty (60) days thereafter, and Yen four hundred (400) million within one hundred twenty (120) days after said order.
 - B. Yen three hundred (300) million upon receipt by Lockheed of a firm order for the sixth (6th) new Model L-1011 Aircraft.
 - C. U.S. \$50,000.00 (or equivalent Yen not to exceed fifteen million) for each additional new Model L-1011 Aircraft commencing with the seventh (7th) Aircraft, such sum payable upon delivery of the Aircraft by Lockheed to the purchaser.
- V. Except as hereby or heretofore amended, the aforesaid Marketing Consultant Agreement dated as of January 15, 1969, shall remain in full force and effect in accordance with its terms and provisions.
- VI. In Witness Whereof, the parties hereto have executed this Amendment of Agreement in duplicate.

Executed by each of the parties hereto as of July 1, 1973

LOCKHEED AIRCRAFT CORPORATION

Its Authorized Representative
"Lockheed"

"Consultant"

MARKETING CONSULTANT AGREEMENT
AMENDMENT NUMBER 2

- I. Lockheed Aircraft Corporation and Consultant have heretofore entered into a Marketing Consultant Agreement dated as of January 15, 1969, and amended by Amendment Number 1 dated June 1, 1972, and Amendment Number 2 dated as of July 1, 1973.
- II. It is the desire of the parties to further amend said Marketing Consultant Agreement as herein below provided.
- III. In accordance with the provisions of Article IV, B. of said Marketing Consultant Agreement, Lockheed desires to avail itself of Consultant's special efforts and time to assist Lockheed with the sales activities of Lockheed Model L-1011 TriStar Aircraft to the Korean Air Lines of the Republic of South Korea.
- IV. As compensation for the services set forth in Paragraph III above, Lockheed will pay Consultant the following amounts at the times specified:
 - A. Yen one (1) billion upon receipt by Lockheed of an initial firm purchase order or a contract for the lease to Korean Air Lines by either Lockheed or All Nippon Airways for two (2) to six (6) Model L-1011 aircraft (new).
 - B. U. S. \$120,000 (or equivalent yen not to exceed 25 million) for each additional Model L-1011 aircraft ordered by the same purchaser commencing with the seventh (7th) aircraft through the fifteenth (15th) aircraft. Such amount to be payable upon delivery of the aircraft by Lockheed to the purchaser.
 - C. U. S. \$60,000 (or equivalent yen not to exceed 13 million) for each additional Model L-1011 aircraft ordered by the same purchaser commencing with the sixteenth (16th) aircraft. Such amount to be payable upon delivery of the aircraft by Lockheed to the purchaser.
- V. Except as hereby amended, the aforesaid Marketing Consultant Agreement dated as of January 15, 1969, shall remain in full force and effect in accordance with its terms and provisions.
- VI. In Witness Whereof, the parties hereto have executed this Amendment of Agreement in duplicate.

Executed by each of the parties hereto as of July 6, 1973

LOCKHEED AIRCRAFT CORPORATION

By [Signature]

"Consultant"

By [Signature]

"Lockheed"

AMENDMENT NUMBER 3 TO THE LOCKHEED
MARKETING CONSULTANT AGREEMENT

- I. Lockheed Aircraft Corporation and Consultant have heretofore entered into a Marketing Consultant Agreement dated as of January 15, 1969, and amended by Amendment Number 1 dated as of June 1, 1969, Amendment Number 2 dated as of July 1, 1970, and Amendment Number 3 dated as of July 6, 1972.
- II. It is the desire of the parties to further amend said Marketing Consultant Agreement as herein below provided.
- III. In accordance with the provisions of Article IV.5. of said Marketing Consultant Agreement, Lockheed desires to avail itself of Consultant's special efforts and time to assist Lockheed with the sales activities of Lockheed Model P-3 Orion Aircraft with the Government of Japan in the Territory.
- IV. As compensation for the services set forth in Paragraph III above, Lockheed will pay Consultant the following amounts at the times specified:
 - A. Yen two and one-half (2 1/2) billion total, payable Yen one and one-half (1 1/2) billion upon receipt by Lockheed of a final contract for not less than fifty (50) P-3 aircraft (new) and Yen one (1) billion payable in two (2) increments of Yen five hundred (500) million each sixty (60) days and ninety (90) days after the receipt by Lockheed of the aforesaid final contract.
- V. Except as hereby or heretofore amended, the aforesaid Marketing Consultant Agreement dated as of January 15, 1969, shall remain in full force and effect in accordance with its terms and provisions.
- VI. In Witness Whereof, the parties hereto have executed this Amendment of Agreement in duplicate.

Executed by each of the parties hereto as of July 27, 1973

LOCKHEED AIRCRAFT CORPORATION

By [Signature]
 Its [Signature]
 "Consultant"

By [Signature]
 Its [Signature]
 "Lockheed"

LOCKHEED AIRCRAFT CORPORATION
AMENDMENT NO. 2

- I. Lockheed Aircraft Corporation and Consultant have heretofore entered into a Marketing Consultant Agreement dated as of January 15, 1969, as amended by Amendment Number 1 dated as of June 1, 1969, Amendment Number 2 dated as of July 1, 1973, Amendment Number 3 dated as of July 6, 1973, and Amendment 4 dated as of July 27, 1973.
- II. It is the desire of the parties to further amend said Marketing Consultant Agreement as herein below provided.
- III. Effective January 1, 1974, the retainer fee to be paid Consultant by Lockheed during the period this agreement is in effect as provided in Article IV. A. "Compensation to Consultant" will be Japanese Yen 56,000,000 per year, payable Yen 28,000,000 on January 1st and Yen 28,000,000 on July 1st of each year, each such payment to cover Consultant's services for the six-month period following the due date of such payment.
- IV. Except as hereby or heretofore amended, the aforesaid Marketing Consultant Agreement dated January 15, 1969, shall remain in full force and effect in accordance with its terms and provisions.
- V. In Witness Whereof, the parties hereto have executed this Amendment of Agreement in duplicate.

Executed by each of the parties hereto as of November 30, 1973.

LOCKHEED AIRCRAFT CORPORATION

By [Signature]

昭和四十八年十一月三十日

"CONSULTANT"

Its [Signature]
"LOCKHEED"

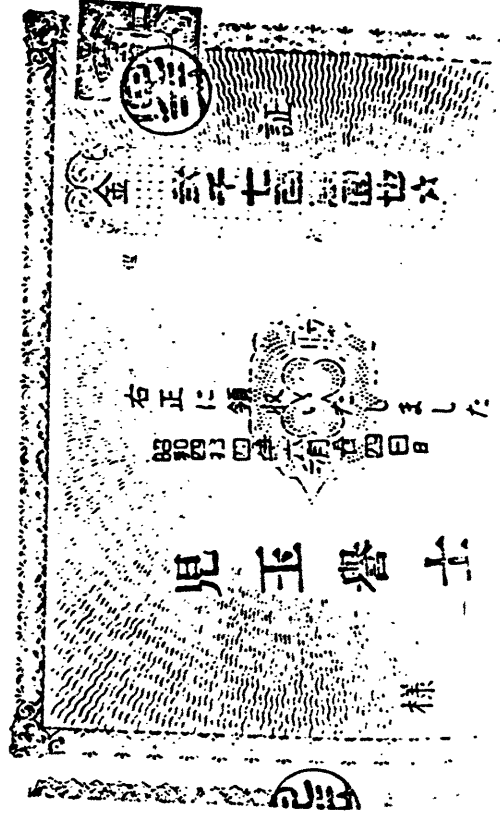


Certificate

Amount Twenty Seven Million Yen

The above has been duly received
1969 June 24

Ko dama Yo Shi (Kochi)





Calif. 6

Friend Henry Higginbotham
of Calif

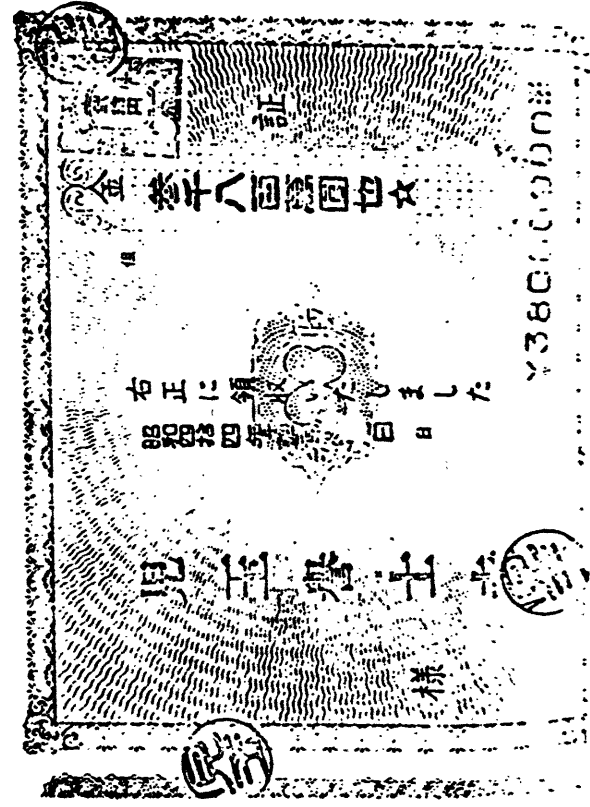
San Francisco, Cal.

Dec 11

No. 1234 1/2 St.

(Seal)

(Seal)



UC60000828

10/1/1970

HODARIA

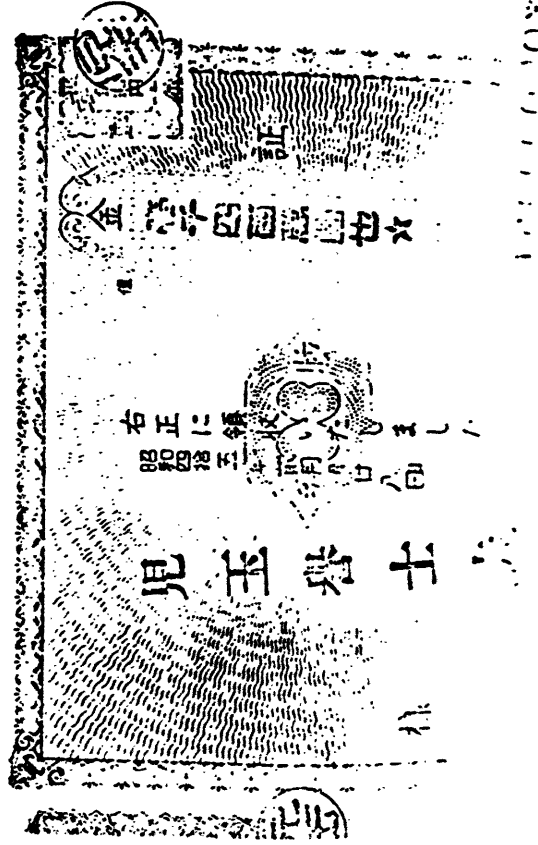
collydale

Amend Foster. Mella. Yo. only

Have Only received the return
1970 January 20

No return Yo sh.

HODARIA



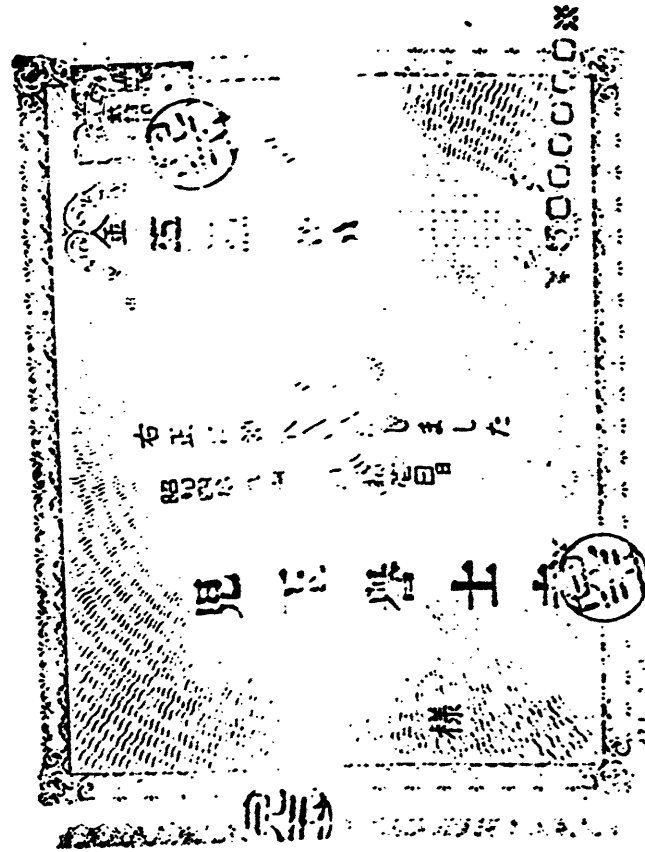


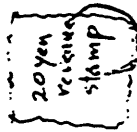
Certificate

Amount Exactly Five Million Yen

Have duly received the above
1970 May 11

Ke dawa /o .i.





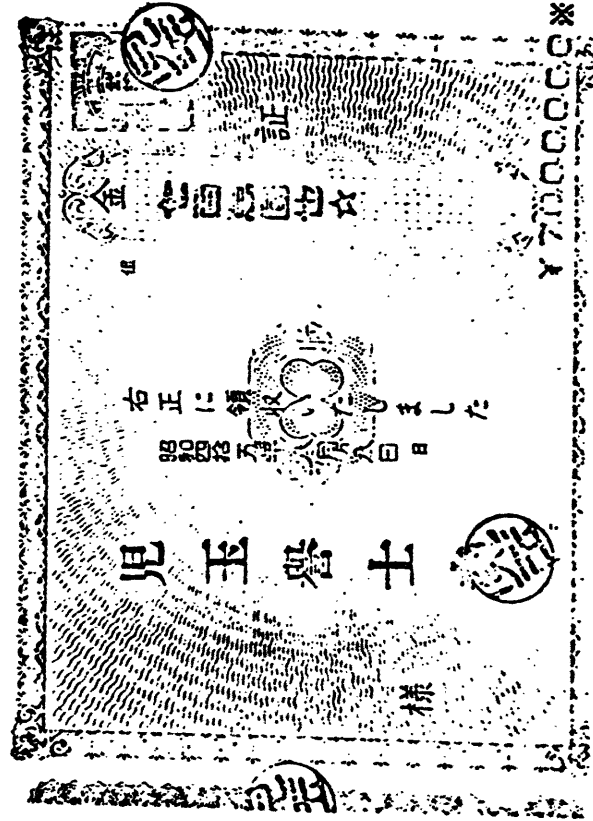
Certificate

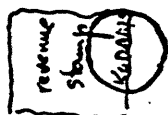
Amount Seven Million Yen Only

Have duly received the above

1970 Aug. 8

Ko dama ¥ sh.





Receipt

Amount One Million Yen Only

Have duly received the above
 Showa 45 December 18
 (1970)

KU DAMA YO SHI



※UUUUUUUU※

証收領銀

金 壹 萬 圓 也 大

右正に領收した
 昭和四十五年十二月十八日

見玉譽士

印

印

no
dama
yo shi

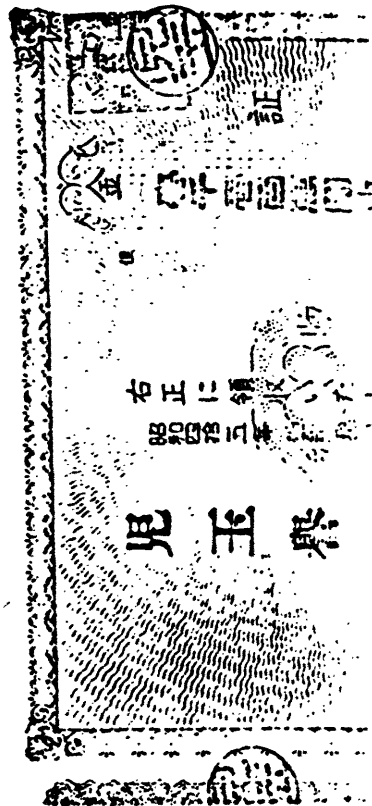
Amount Eleven Million Yen Only

Have duly received the above
45th year of Showa December 18
(1970)

KO DAMA YO SHI

no
dama
yo shi

no
dama





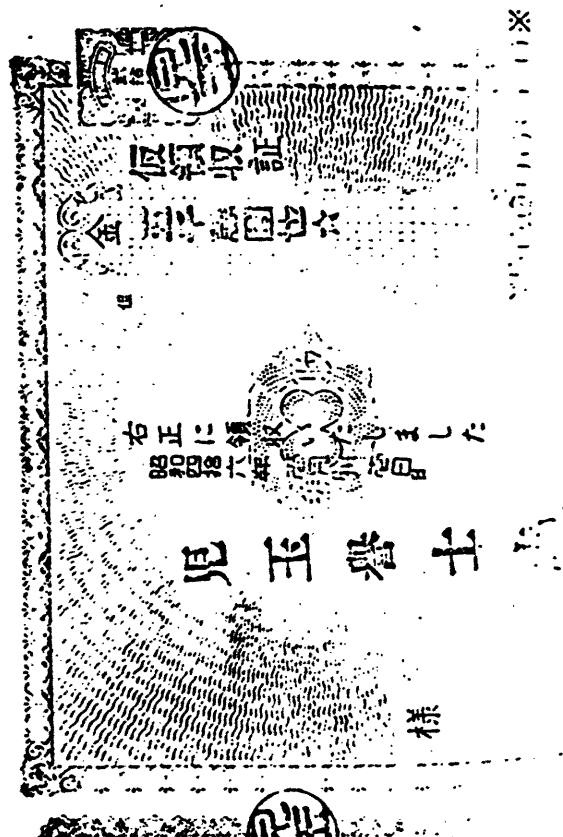
Receipt

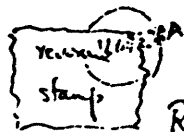
Amount Exactly Fifty Million Yen

Have duly received The above
46th Year of Showa January 31
(1971)

KO DANA Yo shi o (100 DANA)

1107212



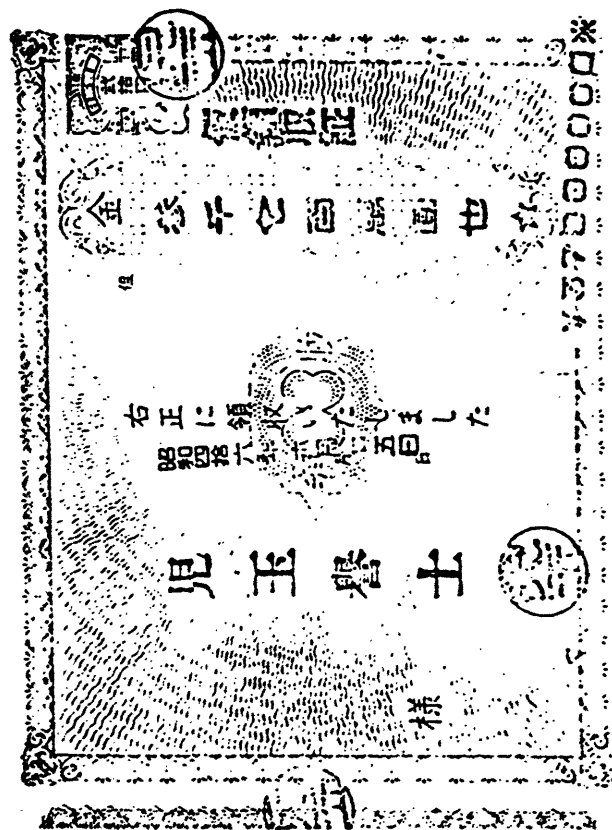


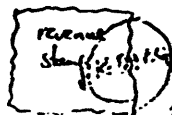
Receipt

Amount Thirty-Seven Million Yen Only

Have duly received the above
1971 June 25

Ko damu Yo shi. (roman)





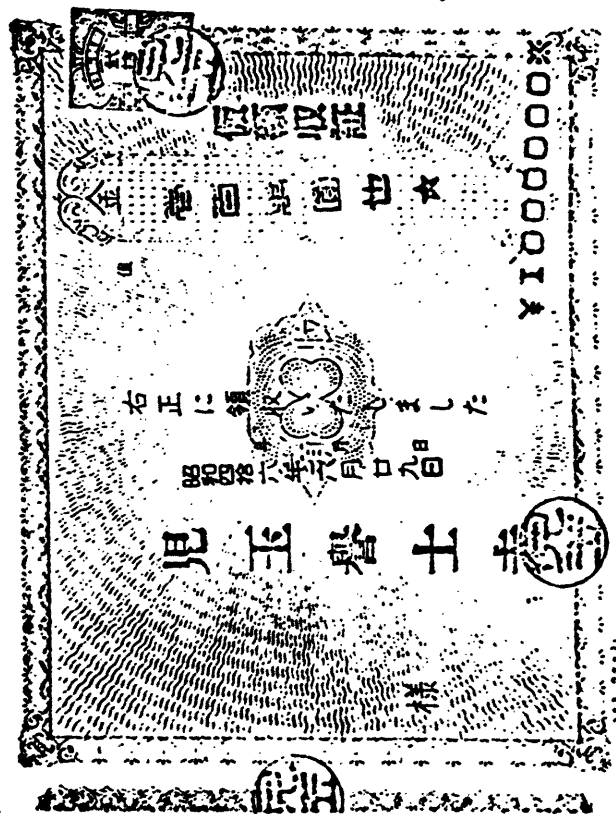
Receipt

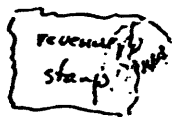
Amount One Million Yen Only

Have duly received the above

1971 June 29

Ko dama Yo shio



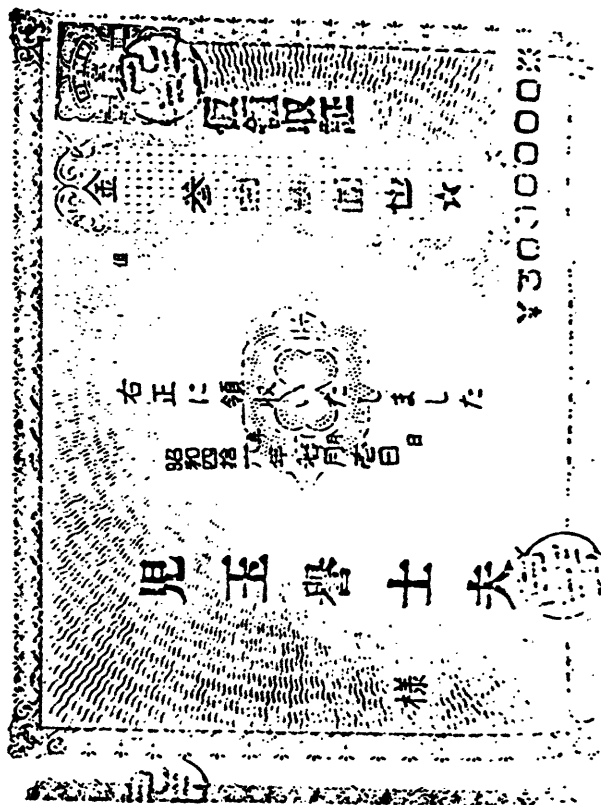


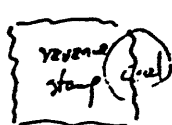
Receipt

Amount Three Million Yen Only

Have duly received the above
1971 July 1

Ke daime Yo shi o (WOTAN)





(translation)

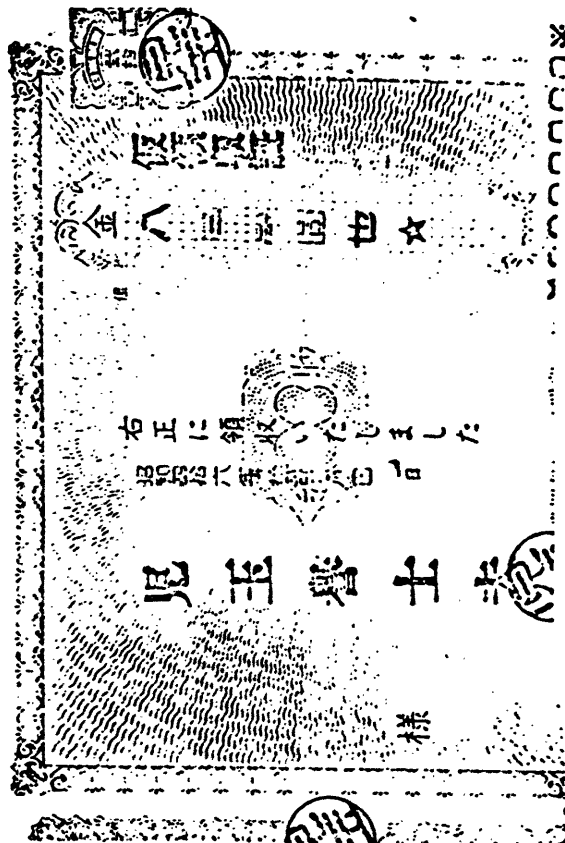
Receipt

Exactly Eight Million Yen

Have duly received the above.
1971 December 8

Ko dama yo shi o

(KCD 171)



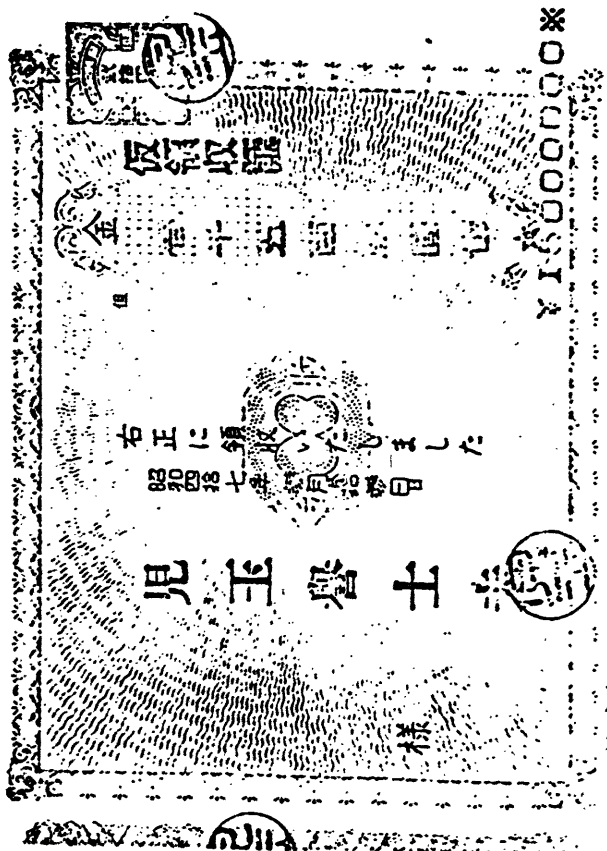
Receipt
(KODAMA)

Amount Fifteen Million Yen Only

15,000,000

Have duly received the above
Shōwa 47th Year March 13
1972 March 13

20 2000 50 541 (KODAMA)



Handwritten note: (Received at P.)

Receipt

Amount Ten Million Yen only

Have duly received the above

Shona 47 April 10
(1972)

Ko Dama Yo Shi o



※XXXXXXXX※

領収証

金 壹 千 萬 圓 七 百 五 十 五 千 圓 七 角 五 分

右正に領収いたしました

昭和四十七年四月十日

夫士響玉児

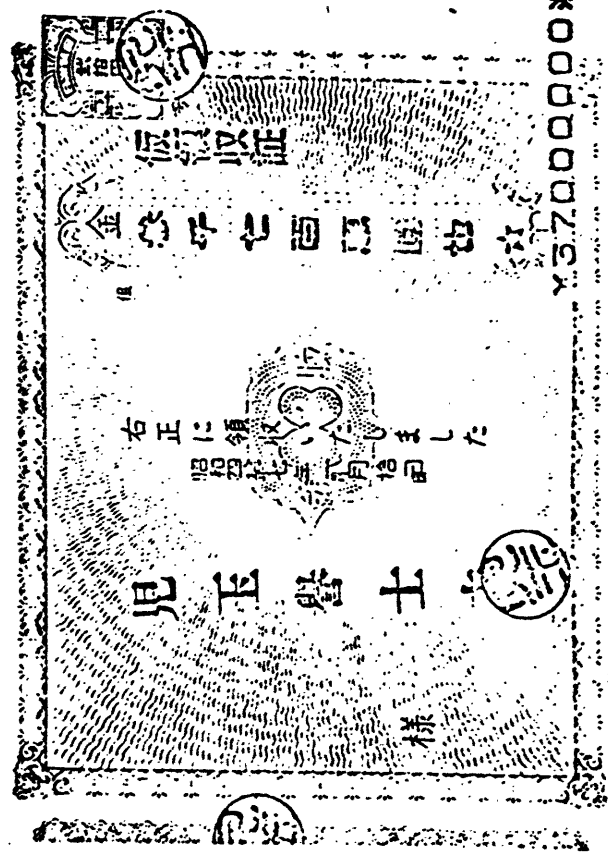
様

ko
DAMA

Handwritten text, possibly a signature or date.

Handwritten text: "Date received the above" and "June 10 1971".

ko DAMA (seal)



NO DATA

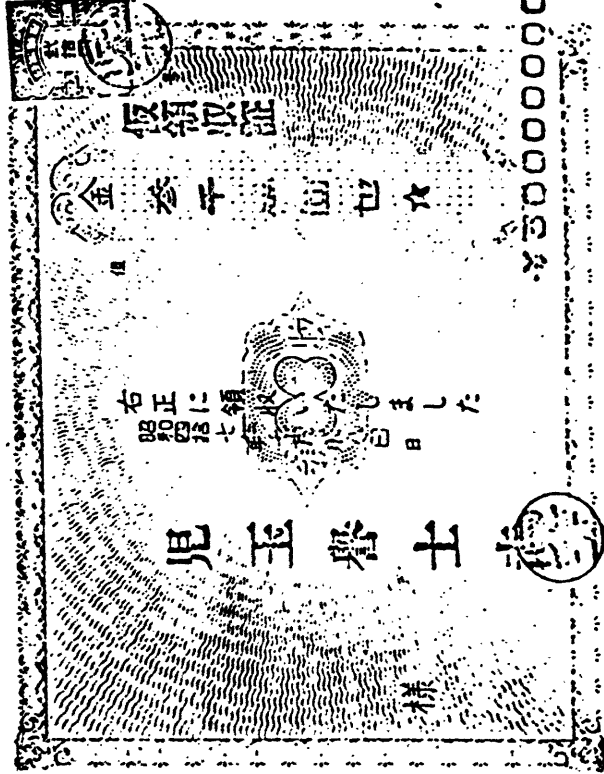
Receipt

Grant Thirty Dollars per City

How duty is paid to about
shown for you July 18
(1902)

NO DATA YO 541

NO DATA



KO
DAMA

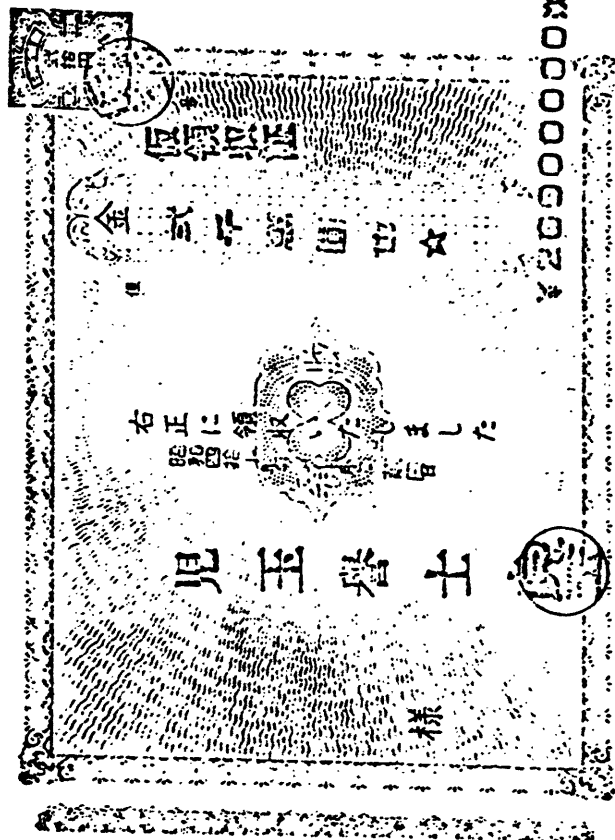
Receipt

From 1 Twenty Million Yen Only

Have duly received the above
shown 400,000 Yen Sept. 22.
(1942)

KO DAMA No. 1011

KO
DAMA



KODAK

Receipt

Amount Five Dollars Only

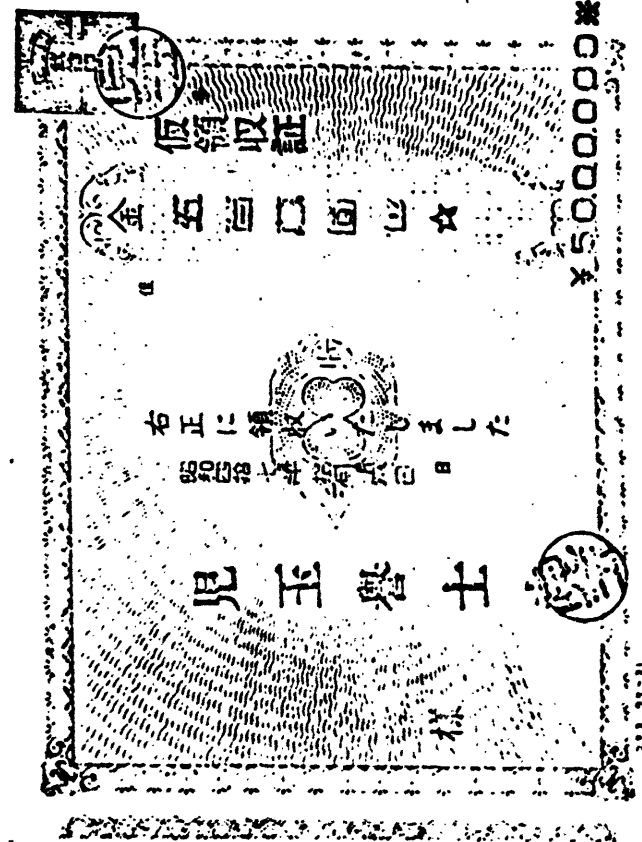
7/5/56

date received the above

Sharon Simpson October 6
(1972)

KODAK

KODAK



KO
DAMA

Receipt

Amount Five Million Yen Only

Have duly received the above
Sum of Five Million Yen
(1975)

ice DAMA 1/2 still

KO
DAMA

現金受領証

金 五 萬 圓 正

右正に領収いたしました
昭和五十二年四月五日
昭和五十二年四月五日

工 正 堂

様

※0000005※

NO
10

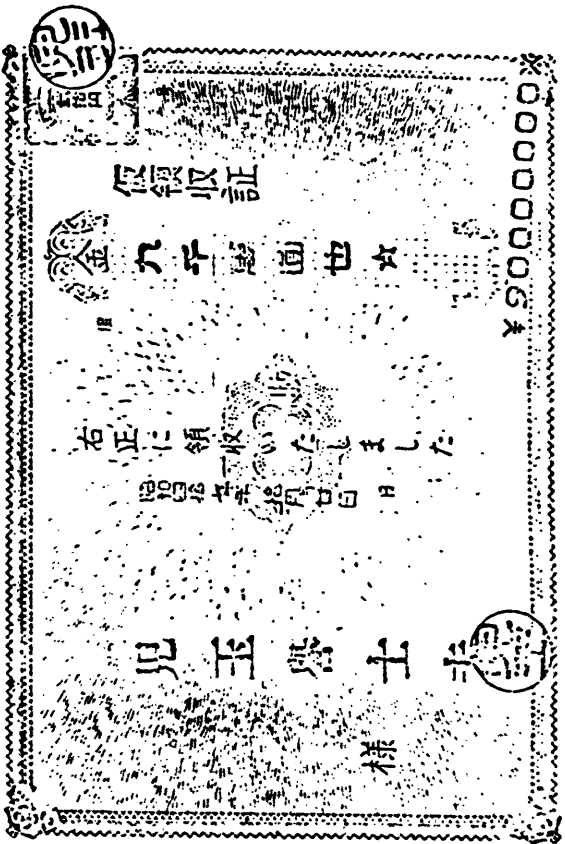
Receipt

Amount Ninety Million Yen Only

Has note received the above
Shogun 472 Yen C.T. 70
(1922)

Kakemono Yooko

KO
DAMA



KO
DMS

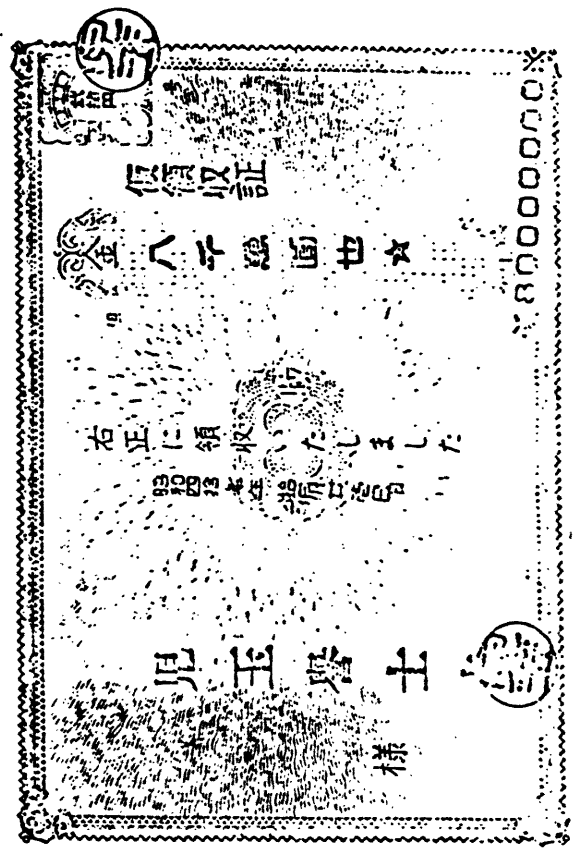
Receipt

net Eighty Million Yen Only

Has duly received the above
Shew 4th year Oct. 31
(1972.)

Katsuo Yoshio

KO
DMS



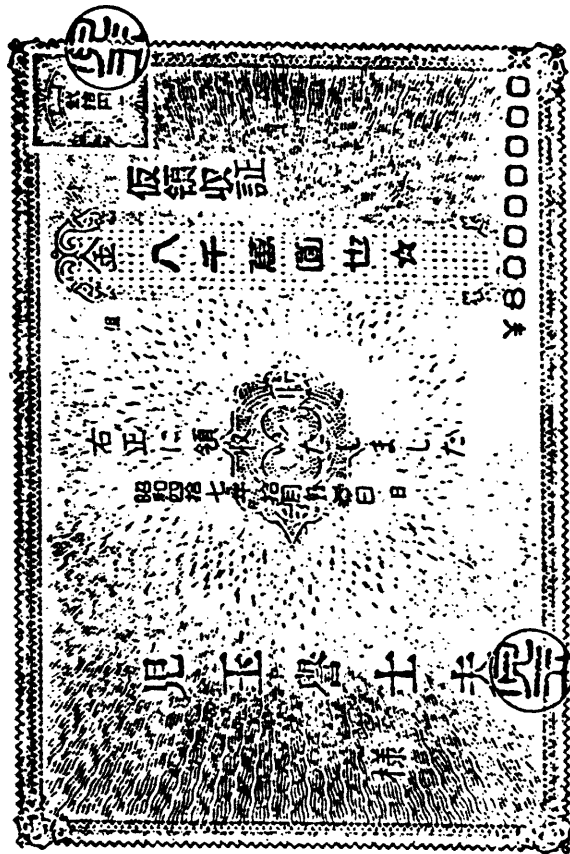


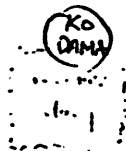
Receipt

Amount Eighty Million Yen Only

Have duly received the above
shown sum for Oct. 23
(1942)

Katama Yoshio



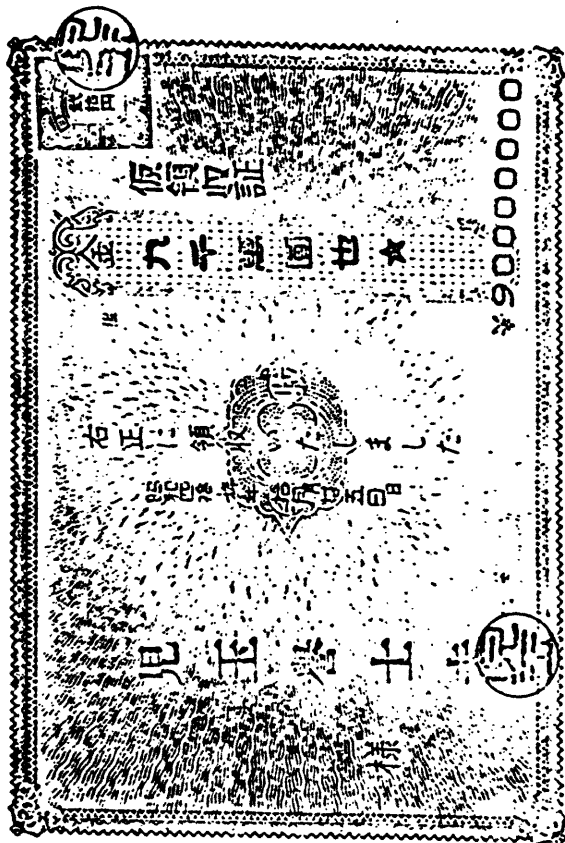


Receipt

Amount Ninety Million Yen Only

Have duly received the above
Shows 45th year Oct. 25
(1972)

Kodama Yoshio



KO
DAMA

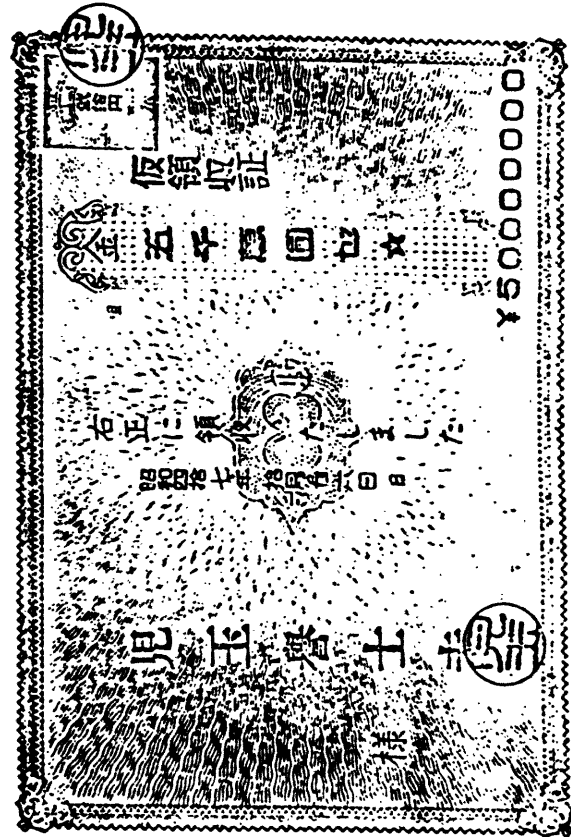
Receipt

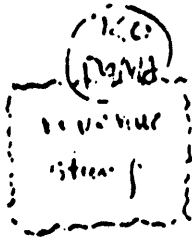
Amount Fifty Million Yen Only

Have duly received the above
shown with your Est. 26
(1972)

Kotama Yoshio

KO
DAMA





Receipt

Amount Seventy Million Yen Only

Have duly received the above
Shown with year Nov. 1
(1972)

Kodama Yoshio





号

仮領収証

金七千圓也☆

但

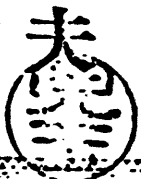
右正に領収いたしました

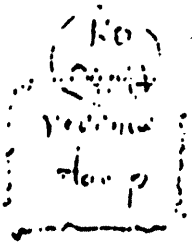
昭和四拾七年拾月廿日

¥70000000*

見玉譽士夫

様





Receipt

Amount Thirty Million Yen Only

Have duly received the above
Suma 42th year Nov 1
(1972)

Kadama Yoshio (KO)
 (MMA)



号

仮領収証

金 参 千 圓 也 ☆

但

右正に領収いたしました

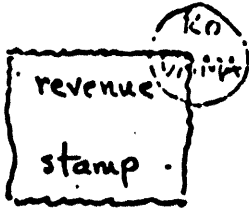
昭和四拾七年 参月 参日 日

児 玉 譽 士 夫

様

¥ 3 0 0 0 0 0 0 0 0 *





Receipt

Amount Seventy Five Million Yen Only

Have duly received the above
 Showa 47th Year Nov. 6
 (1972)

Kodama Yoshio 



号

仮領収証

金七千五百圓也☆

但

右正に領収いたしました

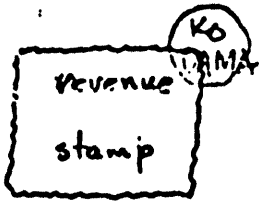
昭和四拾七年拾月六日

児玉譽士

様




¥75000000



Receipt

Amount Seventy Five Million Yen Only

Have duly received the above
 Showa 47th Year Nov. 6
 (1972)

Kodama Yoshio 



仮領収証

金七千五百圓也☆

但

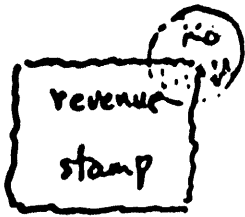
右正に領収いたしました

昭和四拾七年拾月廿日

児玉譽士夫

様

¥750000000*



Receipt

Amount Eighty Million Yen Only

Have duly received the above
 Showa 47th Year Nov. 4
 (1972)

Kodama Yoshio





佐領收証

金 八千圓也☆

但

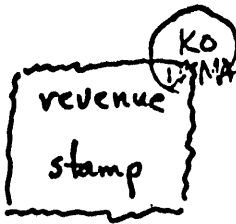
右正に領収いたしました

昭和四拾七年拾月四日 日

児玉譽士夫

様


¥800000000*



Receipt

Amount Ninety Million Yen Only

Have duly received The above
 Showa 47th year Nov. 3
 (1972)

Kodama Yoshio 



号

仮領収証

金 九 千 圓 也 ☆

但

右正に領収いたしました

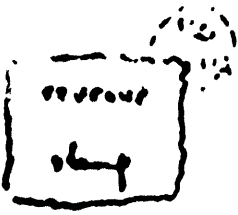
昭和四拾七年拾月参日 日

¥90000000※

児 玉 譽 士 夫

様





Receipt

Amount Ninety Five Million Yen Only

Have duly received the above
 Showa 47th Year Nov. 2
 (1972)

Kodama Yoshio





号

仮領収証

金九千五百圓也☆

但

右正に領収いたしました

昭和四拾七年拾月貳日

児玉譽士夫

様

¥950000000*






Receipt

Amount Eighty Five Million Yen Only

Have duly received the above
 Showa 47th Year Nov. 2
 (1972)

Kodama Yoshio 



假領收証

金 八千五百圓也 ☆

但

右正に領収いたしました

昭和四拾五年拾月貳日

児玉譽士夫



様

¥85000000*



Receipt

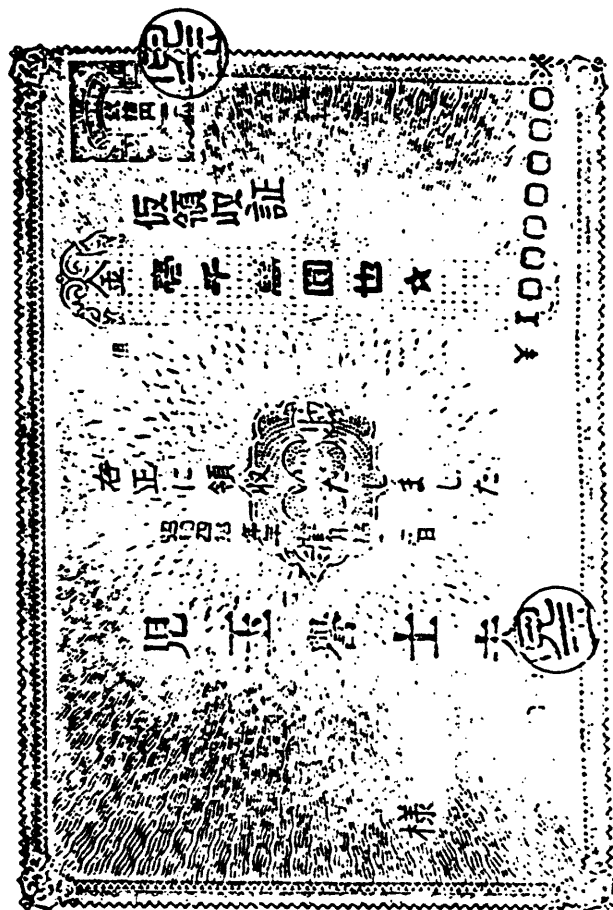
Amount Ten Million Yen Only

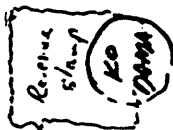
Have duly received the above

Showa 47 year Dec. 19th
(1972)

KODAMA YOSHIO

KODAMA



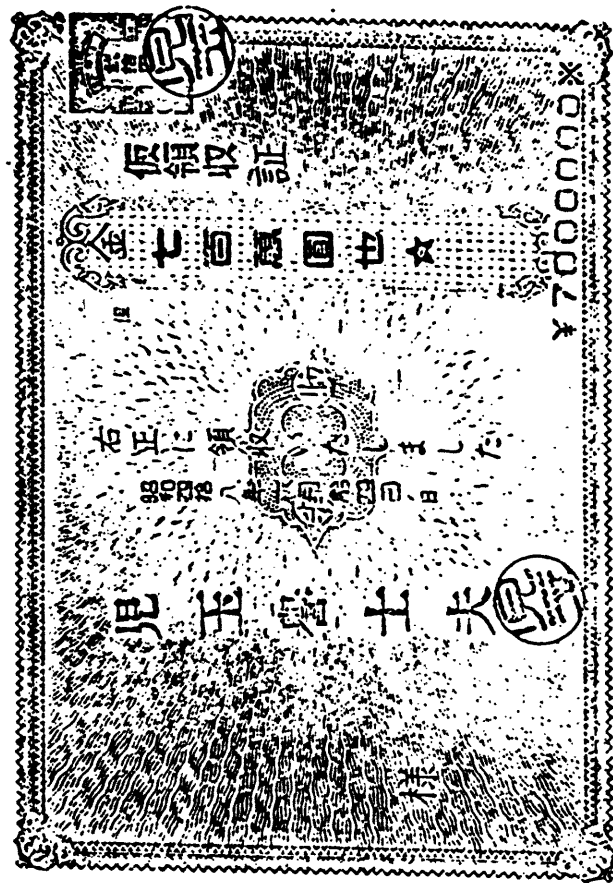


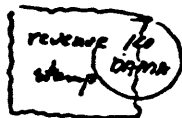
Receipt

Amount Exactly Seven Million Yen

Have duly received the above
Showa 48th year June 14th
(1973)

KO DAMA YOSHI O



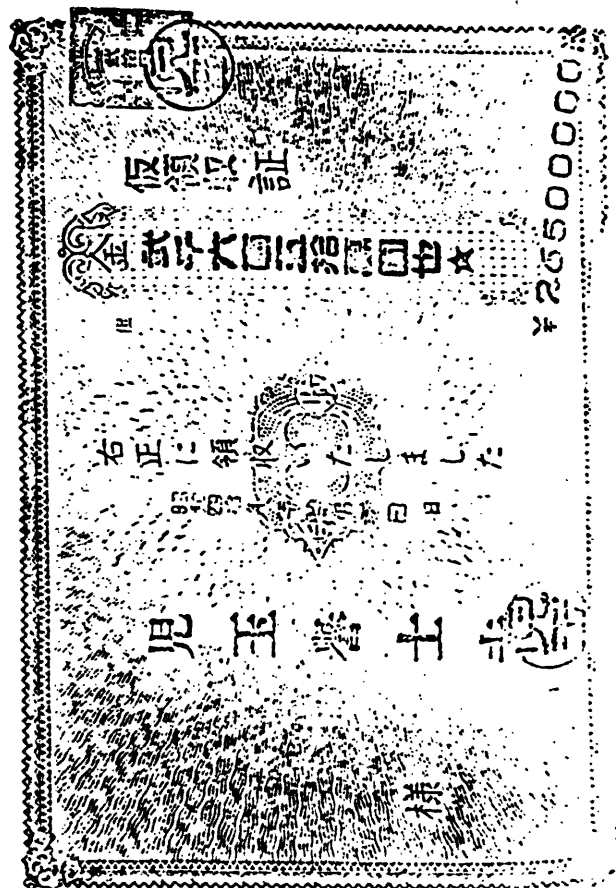


Receipt
and $\frac{1}{2}$
Amount Twenty Six Million Yen Only

426500000,-

Have duly received the above
48th year of Showa Nov. 3
(1973)

KOORAMA YOSHIO (KOORAMA)



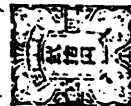


RECEIPT

Amount Fifty Million Yen Only

Have duly received the above
Showa 48th year August eleventh
(1973)

KO DAMA YO SHI O



証領収証

金 五千 萬 圓 也 々

右正に領収いたしました

昭和四十八年八月十一日

見玉 磐士 夫

XXXXXXXXXX

様



假領収証

金 叁 千 圓 也 ☆

但

右正に領収いたしました

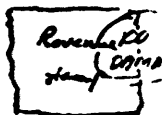
昭和四拾七年 拾月拾日 日

出 玉 譽 士 夫

様

¥ 30000000 *





Receipt

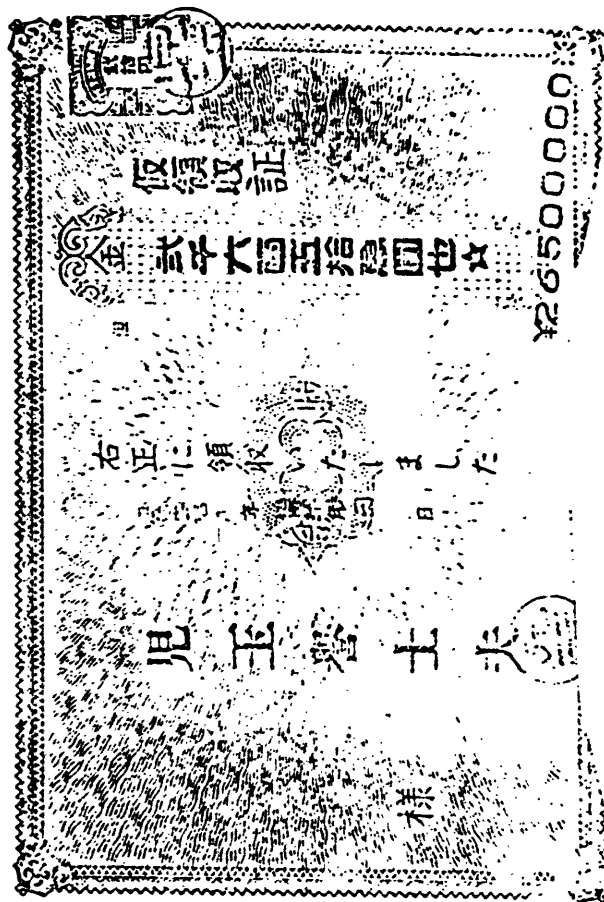
Amount Twenty ^{and 1/2} Million Yen Only

Have duly received the above

45th Year of Showa Dec. 3
(1973)

Kotani, Yoshio

(20
1973)

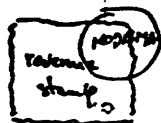


from the desk of

E. H. SCHATTENBERG

Dec 12 1973
28,000,000





Receipt

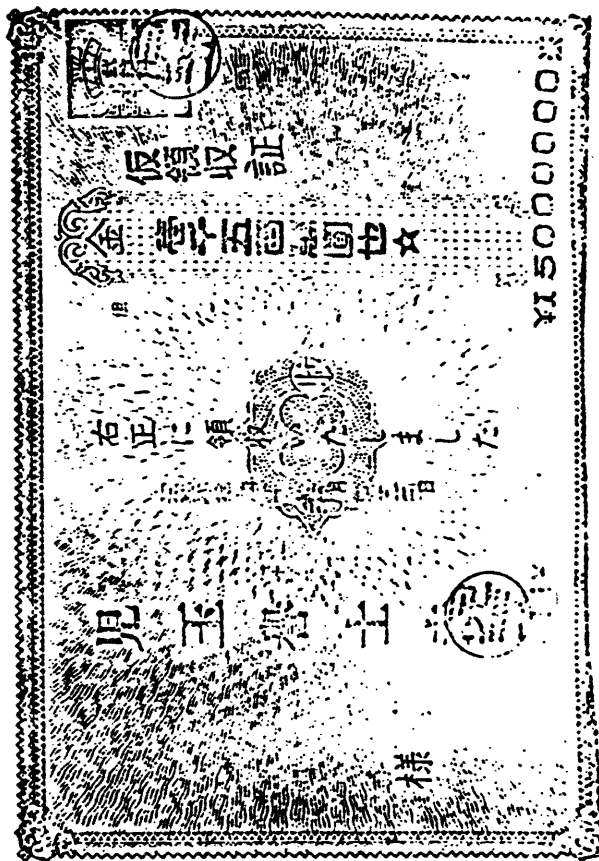
Amount Fifteen Million Yen Only *

Have duly received the above

49 year of Showa February 25
(1974)

RO DANA YO SHI O

RO DANA





Receipt

Amount Twenty Eight Million Yen Only

-100000082*

Have duly received the above

Shonan 49th Year May 31
(1974)

KODAMA YOSHIO





Receipt

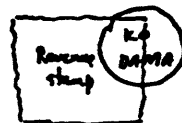
Amount Twenty Eight Million Only

Have duly received the above
49th year of Showa December 20
(1974)

KODAMA YOSHIO



252 77-10



Receipt

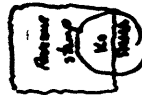
Amount Fifty Million Only #

Have duly received the above

50th year of showa March 4
(1975)

KO DAMA YOSHIO





Receipt

Amount Eighty-one million three hundred forty thousand

Have duly received the above.

Show 52% year May 7th
(1975)

Ko dama Yoshio



FOREIGN MONEY TRANSFER RECEIPT

No. FX 26207

NON NEGOTIABLE

June 11, 1969

Received From Lockheed Aircraft International, Inc.
310 West Sixth Street
Los Angeles, California 90014

The Sum of Sixtyseven thousand two hundred four & 25/100 Dollars U.S. \$ 67,204.25

For the Transfer of Twenty five million Japanese Yen ¥ 25,000,000.-

TO J.W. Clatter
Tokyo, Japan
Telephone: 406-6434
Contact before 8:30 AM or after 9:00 PM - Preferably Morning.

By ☐ Air Mail ☒ Cable Rate 372 Per Dollar

Amount of Transfer U.S. \$ 67,204.25
 Commission & Air Mail Charge _____

Special Handling 0000

TOTAL RECEIVED \$ 67,204.25

DEAK & CO. of LOS ANGELES, INC.
 as agent of Bank & Co. of California, Inc.

This transaction subject to conditions on reverse side.
 Keep this receipt, do not send it abroad. All inquiries must be accompanied by this receipt.

FILE COPY

LOS ANGELES, CALIFORNIA 90014

FOREIGN CURRENCY SPECIALISTS

TELEPHONE (213) 627-5871

AGENTS OF BANK & CO. OF CALIFORNIA, INC. A CORPORATION LICENSED BY THE STATE OF CALIFORNIA NATIONAL MONUMENTARY

Amount of Transfer Commission & Air Mail Charge Special Handling TOTAL RECEIVED

Received From For the Transfer of TO

Lockheed Aircraft International, Inc. 310 West Sixth Street Los Angeles, California 90014

J.W. Clatter Tokyo, Japan Telephone: 406-6434 Contact before 8:30 AM or after 9:00 PM - Preferably Morning.

By Air Mail Cable Rate 372 Per Dollar

Amount of Transfer Commission & Air Mail Charge Special Handling TOTAL RECEIVED

U.S. \$ 67,204.25

DEAK & CO. of LOS ANGELES, INC. as agent of Bank & Co. of California, Inc.

This transaction subject to conditions on reverse side. Keep this receipt, do not send it abroad. All inquiries must be accompanied by this receipt.

FILE COPY

FOREIGN MONEY TRANSFER RECEIPT

No. FX 28495

NON NEGOTIABLE

November 25, 1969

Received From Lockheed Aircraft International Inc.
310 West 6th Street
Los Angeles, California 90014

The Sum of one hundred seven thousand five hundred twenty five dollars U.S. \$ 107,525.00

For the Transfer of forty million Japanese Yen ¥ 40,000,000.-

TO Mr. A. E. Elliott
Omura Hotel, Tokyo, Japan
Payment must be made on Dec. 5 or as soon as possible thereafter
but not later than December 15, 1969
Delivery between the hours of 8:00 A.M. and 9:00 P.M. only

By ☐ Air Mail ☒ Cable Rate 372 Per Dollar

Amount of Transfer U.S. \$ 107,525.00
 Commission & Air Mail Charge _____

Special Handling _____

TOTAL RECEIVED \$ 107,525.00

DEAK & CO. of LOS ANGELES, INC.
 as agent of Bank & Co. of California, Inc.

This transaction subject to conditions on reverse side.
 Keep this receipt, do not send it abroad. All inquiries must be accompanied by this receipt.

FILE COPY

Deak & Co. of Los Angeles, Inc.

LOS ANGELES, CALIFORNIA 90014

FOREIGN CURRENCY SPECIALISTS

TELEPHONE (213) 627-5871

AGENTS OF BANK & CO. OF CALIFORNIA, INC. A CORPORATION LICENSED BY THE STATE OF CALIFORNIA NATIONAL MONUMENTARY

Amount of Transfer Commission & Air Mail Charge Special Handling TOTAL RECEIVED

Received From For the Transfer of TO

Lockheed Aircraft International Inc. 310 West 6th Street Los Angeles, California 90014

Mr. A. E. Elliott Omura Hotel, Tokyo, Japan Payment must be made on Dec. 5 or as soon as possible thereafter but not later than December 15, 1969 Delivery between the hours of 8:00 A.M. and 9:00 P.M. only

By Air Mail Cable Rate 372 Per Dollar

Amount of Transfer Commission & Air Mail Charge Special Handling TOTAL RECEIVED

U.S. \$ 107,525.00

DEAK & CO. of LOS ANGELES, INC. as agent of Bank & Co. of California, Inc.

This transaction subject to conditions on reverse side. Keep this receipt, do not send it abroad. All inquiries must be accompanied by this receipt.

FILE COPY

2022 OF U.S. IN LOS ANGELES,
 606 SOUTH HILL STREET LOS ANGELES, CALIFORNIA 90014
 FOREIGN CURRENCY SPECIALISTS
 TELEPHONE (213) 697-6971
 ADDRESS OF BANK & CO. OF CALIFORNIA, INC. A CORPORATION LICENSED BY
 THE STATE OF CALIFORNIA, BANKING DEPARTMENT
 1000 MARKET STREET, SUITE 1000, SAN FRANCISCO, CALIFORNIA 94102

Amount of Transfer
 Commission & Air Mail Charge
 Special Handling
 TOTAL RECEIVED

FOREIGN MONEY TRANSFER RECEIPT

NON NEGOTIABLE

No. FX 30959
 January 19, 1971

Received From Lockheed Aircraft International, Inc.
310 West 6th Street
Los Angeles, California 90014

The Sum of One Hundred Thousand (1) Dollars only U.S. \$ 100,000.00

For the Transfer of Thirteen million three hundred thousand
Japanese Yen 74

TO Mr. J. R. Clutter
Tokyo, Japan - Telephone 403-6401

For delivery instructions telephone Mr. Clutter between
May 6th. to May 16th. 0

By ☐ Air Mail ☒ Cable Rate 323 Per Dollar

Amount of Transfer U.S. \$ 100,000.00
 Commission & Air Mail Charge _____
 Special Handling _____
 TOTAL RECEIVED \$ 100,000.00

DEAK & CO. OF LOS ANGELES, INC.
 in special of Bank & Co. of California, Inc.

This transaction subject to conditions on reverse side.
 Keep this receipt, do not send it abroad. All inquiries must be accompanied by this receipt.

FILE COPY

2022 OF U.S. IN LOS ANGELES,
 606 SOUTH HILL STREET LOS ANGELES, CALIFORNIA 90014
 FOREIGN CURRENCY SPECIALISTS
 TELEPHONE (213) 697-6971
 ADDRESS OF BANK & CO. OF CALIFORNIA, INC. A CORPORATION LICENSED BY
 THE STATE OF CALIFORNIA, BANKING DEPARTMENT
 1000 MARKET STREET, SUITE 1000, SAN FRANCISCO, CALIFORNIA 94102

Amount of Transfer
 Commission & Air Mail Charge
 Special Handling
 TOTAL RECEIVED

FOREIGN MONEY TRANSFER RECEIPT

NON NEGOTIABLE

No. FX 34660

January 19, 1971

Received From Lockheed Aircraft International, Inc.
310 West 6th Street
Los Angeles, California 90014

The Sum of Thirteen million three hundred thousand and eight hundred thirty U.S. \$ 13,337,837.84
seven 6/64/100 Dollars

For the Transfer of One hundred twenty five million Only Japanese Yen 8 125,000,000

TO Mr. A. W. Elliott
Omura Hotel
Tokyo, Japan

Deliver on Sunday January 31st - if impossible on Sunday deliver on
Saturday Jan. 30th. Contact Mr. Elliott ONLY as special.

By ☐ Air Mail ☒ Cable Rate 328 Per Dollar

Amount of Transfer U.S. \$ 13,337,837.84
 Commission & Air Mail Charge none
 Special Handling _____
 TOTAL RECEIVED \$ 13,337.84

DEAK & CO. OF LOS ANGELES, INC.
 in special of Bank & Co. of California, Inc.

This transaction subject to conditions on reverse side.
 Keep this receipt, do not send it abroad. All inquiries must be accompanied by this receipt.

FILE COPY

REQUEST FOR CASH CHECK 41619Originating Dept 0 1-275 Date of Request 12/1/71Vendor or Employee # 11111 Date Required 12/1/71PAYEE PAUL OF AMERICA, K. T. & S. A.

INTERNATIONAL BANKING OFFICE

ADDRESS AMOUNT FIFTY-ONE THOUSAND SEVEN HUNDRED AND 00/100 CTSExplanation For 12/1/71INTERNATIONAL BANKING OFFICE
Bank of America
6400 OLIVE STREET
LOS ANGELES, CALIFORNIALOCKHEED AIRCRAFT INTERNATIONAL, INC.
310 WEST SIXTH STREET
LOS ANGELES, CALIFORNIA 90014

No. 21619

12-370
1280EXACTLY 41,700 AND 00 CTSDATE
1/12/71

NUMBER

582

AMOUNT
41,700.00

A \$41,700.00

Bank of America N. T. & S. A.
International Banking Office

12-370

LOCKHEED AIRCRAFT INTERNATIONAL, INC.
GENERAL ACCOUNT20,425.48 ① 12220-0370: 6620- 1274
2,204.52 from Cash at 1274
\$41,700.00 A

100041700000

(Used B of A receipt for cashing
check to this order
showing money)

① 20,425.48	
② 2,204.52	
<u>\$41,700.00</u>	

MEMORANDUM

TO J. W. Clynne *1) Pay to Com
2) Adv to
3) Adv to
4) Adv to
5) Adv to* DTI. 95-01 63 A-1 JAN January 28, 1972
HHS/2139

FROM E. H. Schattenberg DEPT. 1-120 LAI EXT. 205

SUBJECT: REQUEST FOR PURCHASE ORDER

During 1971 Lockheed Aircraft International, Inc. advanced the total sum of \$358,333.32 for marketing services and sales intelligence in support of the L-1011 sales activities in the Far East. It is my understanding from discussions with Jack Glutter that you have agreed to reimburse LAI, Inc. If my understanding is correct, please issue a confirming purchase order permitting us to invoice the Lockheed-California Company for this expenditure.

If there are any questions, please call me.

E. H. Schattenberg

E. H. Schattenberg
Treasurer

HHS:des

*Proper account
for Howard Kubit*

6.3299 -1901

*check # 070781
29.72*

*File
correspondence
folder.*

LAI 191

FOREIGN MONEY TRANSFER RECEIPT

No. FX 386136

NON NEGOTIABLE

February 3, 1972

Received From Lockheed Aircraft International, Inc.
310 West 6th Street
Los Angeles, California 90014

The sum of one hundred twenty eight thousand six hundred U.S. 128,617.37
seventeen dollars & 37/100
 For the Transfer of fortymillion Yen Yen 40,000,000.

TO Mr. J. V. Glutter
Omura Hotel, Tokyo, Japan
Contact on February 15 or 16 for delivery instructions
Other telephone if necessary 583-2765

By ☐ Air Mail ☒ Cable

Rate 311 Per Dollar

DEAK & CO. of LOS ANGELES, INC.
 an agent of Bank & Co. of California, Inc.

Amount of Transfer U.S. 128,617.37
 Commission & Air Mail Charge _____
 Special Handling _____
TOTAL RECEIVED 128,617.37

By R. V. [Signature]

This transaction subject to conditions on reverse side.
 Keep this receipt, do not send it abroad. All inquiries must be accompanied by this receipt.

CUSTOMER'S RECEIPT

605 SOUTH HILL STREET
 LOS ANGELES, CALIFORNIA 90014

FOREIGN CURRENCY SPECIALISTS

TELEPHONE (213) 627-3871

AGENTS OF BANK & CO. OF CALIFORNIA, INC., A CORPORATION LICENSED BY
 THE STATE OF CALIFORNIA BANKING DEPARTMENT

Approved Office: Los Angeles, Calif.
 Branches: New York, N.Y.
 San Francisco, Calif.
 Honolulu, Hawaii
 Manila, Philippines
 Cebu, Philippines
 Baguio, Philippines
 Iloilo, Philippines
 Zamboanga, Philippines
 Singapore, Singapore
 Hong Kong, Hong Kong

LOCKHEED AIRCRAFT INTERNATIONAL, INC.
MEMORANDUM

TO J. W. Clynne DEPT. 95-01 63 A-1 DATE July 24, 1972

FROM E. H. Schattenberg DEPT. 1-120 LAI EXT. 203

SUBJECT: L-1011 MARKETING SERVICES

The enclosed invoice (7-660) is submitted for your approval and processing for payment. This brings the total yen costs incurred to date to 95,000,000 of an estimated 100,000,000 projected by Bob Mitchell.

If you have any questions please call me.

Earl
E. H. Schattenberg
Treasurer

EH3:des
Enclosure

No. FX 40252 ✓

NON NEGOTIABLE

July 12, 1972

Received From Lockheed Aircraft International, Inc.)
510 West Sixth Street (Federal Tax No. 95-0941880)
Los Angeles, California 90014

The sum of One hundred thousand & no/100 Dollars U.S. 100,000.00

For the
Transfer of Thirtymillion Only Japanese Yen \$ 30,000,000.—

TO Mr. J. W. Glukter Telephone: Office: (03) 214-5011
Tokyo 106, Japan Home: (03) 583-2765

Call Mr. Clatter in advance of Delivery.

By ☐ Air Mail ☒ Cable Rate Per Dollar

DEAK & CO. of LOS ANGELES, INC.
 1500 Broadway, New York, N. Y.

Amount of Transfer U.S. \$ 100,000.00

Commission & Air Mail Charge

Special Handling

TOTAL RECEIVED . \$ 100,000.00

This transaction subject to conditions on reverse side.
Keep this receipt, do not send it abroad. All inquiries whether accompanied by this receipt.

CUSTOMER'S RECEIPT

No. FX 00427

NON NEGOTIABLE

September 20, 1972

WE AWAIT PAYMENT
LOCKHEED Lockheed Aircraft International, Inc.

510 West Sixth Street (Federal Tax No. 93-0941880)

Los Angeles, California 90014

Six hundred sixty three thousand and three hundred forty nine

The sum of 62/100 Dollars U.S. 663,349.92

For the Transfer of Twohundredmillion Only Japanese Yen 200,000,000.-

TO Mr. J. W. Clutter Telephone: _____
Tokyo 106, Japan Office: (03) 214-0311
Home: (03) 583-2765

Call Mr. Clutter in advance of Delivery

By ☐ Air Mail ☒ Cable Date Per Dollar

DEAK & CO. of LOS ANGELES, INC.
 1000 Broadway, New York, N. Y.

Amount of Transfer U.S. \$ 661,349.92

Commission & Air Mail Charge 00-750-750-00

Special Handling

TOTAL RECEIVED 8 663,349.92

The transaction subject to conditions on reverse side.
Keep this receipt, do not read it ahead. All requests must be accompanied by the receipt.

CUSTOMER'S RECEIPT

Beck & Co. of Los Angeles, Inc.

443 NORTH HILL STREET
 Los Angeles, California 90014
 Phone: 2-4-11, 461-1000
 FUTURE TRENDS SPECIALISTS
 TELEPHONE (213) 627-5771
 MAILING LIST FOR THE FUTURE TRENDS CONFERENCE
 1980-81
 2000 W. 10TH ST. LOS ANGELES, CALIF. 90057

Deak & Co. of Los Angeles, Inc.
 848 SOUTH HILL STREET
 LOS ANGELES, CALIFORNIA 90014
 U.S. Int. Agent, Inc. Customs Bldg. 100 South Hill, Los Angeles, Calif. 90014
 FOREIGN CURRENCY SPECIALISTS
 AGENTS OF DEAK & CO. OF CALIFORNIA, INC.
 THE STATE OF CALIFORNIA BONDED IMPORTERS

FOREIGN MONEY TRANSFER RECEIPT
NON NEGOTIABLE

No. FX 00726

October 17, 1972

Received Lockheed Aircraft International, Inc.

310 West Sixth Street (Federal Tax No. 93-0941880)

Los Angeles, California 90014

Onemilliononehundredseventyfourthousandfourhundred
ninetytwo & 64/100 Dollars

U.S. \$ 1,174,496.64

For the
 Transfer of

Threehundredfiftymillion Only Japanese Yen

¥ 350,000,000.--

TO

Mr. J. W. Clutter

Telephone:

Tokyo 106, Japan

Office: (03) 214 - 0511

Home: (03) 583 - 2765

Call Mr. Clutter in advance of Delivery

By

☐ Air Mail

☒ Cable

Rate

298

Per Dollar

Amount of Transfer

U.S. \$ 1,174,496.64

Commission & Air Mail Charge

Special Handling

TOTAL RECEIVED

U.S. \$ 1,174,496.64

DEAK & CO. OF LOS ANGELES, INC.

an agent of Deak & Co. of California, Inc.

This transaction subject to conditions on reverse side.

ART

Keep this receipt, do not send it abroad. All inquiries must be accompanied by this receipt.

CUSTOMER'S RECEIPT

REQUEST ☒ A CHECK ☐ DISBURSEMENT ☐

FORM LAC 141-1

ORIGINATING DEPT./ORGN.	REQUEST DATE	WHEN REQUIRED
81-61	9-21-72	9-21-72

AMOUNT

(5 : 7
\$ 663,349.92

PAYABLE TO BANK OF AMERICA NT & SA INTERNATIONAL BRANCH, A/C LOCKHEED AIRCRAFT INTERNATIONAL, INC. ADDRESS ACCOUNT #6620-127	EMPLOYEE NO. (IF APPLICABLE)
---	---------------------------------

DISPOSITION OF CHECK OR FUNDS

☒ SEND TO ABOVE ADDRESS ☐ OTHER: ~~Unknown 10/22/72~~
☐ APPLY AGAINST ADVANCE

EXPLANATION

MARKETING SERVICES

PAYMENT OF INVOICE # 9-653

*Bank
Wm. T. Camp*

CHARGE TO ACCOUNT/WORK ORDER NO.

6-3299-1901

REQUESTER'S SIGNATURE <i>K M Bent</i>	DEPT./ORGN. APPROVAL <i>J. P. Carlin</i>
ACCOUNTING APPROVAL	FINANCE APPROVAL <i>J. S. H. H. H.</i>

CRÉDIT SUISSE
SCHWEIZERISCHE KREDITANSTALT
CREDITO SVIZZERO · SWISS CREDIT BANK
GENÈVE

Téléphone (022) 267411
Télégrammes: CREDIT

LOCKHEED AIRCRAFT INT. A.G.

1211 GENÈVE 11, 10

Nous avons l'honneur de vous informer que nous avons débité votre compte, valeur ce jour, des dispositions sur nous, selon détail ci-après.

Vos dévoués.

CRÉDIT SUISSE

View:

En place des signatures collectives, cet avis peut porter le visa d'une seule personne autorisée à signer.

~~cost dollars 402600/01 "General acc"~~

Emises par	Votre avis	N° de chèques	Ordre	Montant P.A.	Total P.A.
n/m.	31.10	168389	The Bearer		
n/m.	31.10	168390	do	\$ 50.000.--	
n/m.	31.10	168391	do	\$ 16.667.--	
				<u>\$ 33.333.--</u>	\$ 100.000.--

0.00 *
✓ 100000.00 *
566667.50 *
600000.00 *
300000.00 *
~~100000.00~~ *
533333.00 *
200000.00 *

went to Japan.
Otsu has file
on this
matter.
Barrow almost
fine on mail

RÉDIT SUISSE
 HWEIZERISCHE KREDITANSTALT
 EDITO SVIZZERO - SWISS CREDIT BANK
 GENÈVE

Téléphone (022) 267411
 Télégrammes: CREDIT

LOCKHEED AIRCRAFT Int. A.G.

1211 GENÈVE 11, le 31 oct. 1972 Kch/an/
 206

Nous avons l'honneur de vous informer que nous avons débité votre compte,
 valeur ce jour, des dispositions sur nous, selon détail ci-après.

Vos dévoués,

CREDIT SUISSE

Vus: 

En place des signatures collectives, cet avis peut porter le visa d'une seule personne autorisée à signer.

General acc. n° 40860701

Emises par	Votre avis	N° du chèque	Ordre	Montant Xfr.	Total Xfr.
n/m.	31.10	168392	The Beaber	\$.100.000.--	\$.300.000.--
n/m.	"	168393	do	\$. 65.667.--	
n/m.	"	168394	do	\$.133.333.--	

CREDIT SUISSE
 SCHWEIZERISCHE KREDITANSTALT
 CREDITO SVIZZERO - SWISS CREDIT BANK
 GENÈVE

Téléphone (022) 267411
 Télégrammes: CREDIT

LOCKHEED AIRCRAFT INT. A.G.

1211 GENÈVE 11, le 31 oct. 1972 Kan/an/
 2065

Nous avons l'honneur de vous informer que nous avons débité votre compte,
 valeur ce jour, des dispositions sur nous, selon détail ci-après.

Vos dévoués,

CREDIT SUISSE

Vise: ~~_____~~

En place des signatures collectives, cet avis peut porter la vise d'une seule personne autorisée à signer.

General acc. \$ 400000/01

Emis par	Votre avis	N° du chèque	Ordre	Montant Fr.	Total Fr.
n/m.	31.10	168395	The Bearer	\$ 200.000.--	\$ 600.000.--
n/m.	31.10	168396	do	\$ 133.333.--	
n/m.	31.10	168397	do	\$ 266.667.--	

CRÉDIT SUISSE
 SCHWEIZERISCHE KREDITANSTALT
 CREDITO SVIZZERO · SWISS CREDIT BANK
 GENÈVE

LOCKHEED AIRCRAFT INT. A.G.

General acc. S. 408610/01

1211 GENÈVE 11, le 31 oct. 1972 Kch/an.

Nous avons l'honneur de vous informer que nous avons débité votre compte, 2065
 valeur ce jour, des dispositions sur nous, selon détail ci-après.

Vos dévoués,
CRÉDIT SUISSE

Vice: ~~2065~~

En place des signatures collectives, cet avis peut porter le visa d'une seule personne autorisée à signer.

Emis par	Votre avis	N° du chèque	Ordre	Montant Fr.	Total Fr.
n/m.	31.10	168398	The Bearer	\$ 300.000.--	\$ 566.667.--
n/m.	31.10	168399	do	\$ 116.667.--	
n/m.	31.10	168400	do	\$ 150.000.--	

RÉDIT SUISSE
 SCHWEIZERISCHE KREDITANSTALT
 CREDITO SVIZZERO - SWISS CREDIT BANK
 GENÈVE

Téléphone (022) 267411
 Télégrammes: CREDIT

LOCKHEED AIRCRAFT INT. A.G.

1211 GENÈVE 11, le 31 oct. 1972 Kch/an/
 2065

Nous avons l'honneur de vous informer que nous avons débité votre compte,
 valeur ce jour, des dispositions sur nous, selon détail ci-après.

Vos dévoués,

CREDIT SUISSE

Vise

En l'absence des signatures collectives, cet avis peut porter la vise d'une seule personne autorisée à signer.

"General Inc. \$ 40000701

Emission par	Votre avis	N° de chèque	Ordre	Montant Fr.	Total Fr.
n/m.	31.10	168401	The Bearer	\$ 75.000.--	
n/m.	31.10	168402	do	\$ 25.000.--	\$ 100.000.--

CRÉDIT SUISSE
 SCHWEIZERISCHE KREDITANSTALT
 CREDITO SVIZZERO - SWISS CREDIT BANK
 GENÈVE

Téléphone (022) 1-
 Télégrammes: CRED

LOCKHEED AIRCRAFT INT A.G.

1211 GENÈVE 11, le 31 oct. 1972 Koh-

Nous avons l'honneur de vous informer que nous avons débité votre compte, valeur ce jour, des dispositions sur nous, selon détail ci-après.

Vos dévoués,

CRÉDIT SUISSE

Vice: 

En l'absence des signatures collectives, cet avis peut porter le visa d'une seule personne autorisée à signer.

Emises par	Votre avis	N° du chèque	Ordre	Montant Fr.	Total Fr.
n/m.	31.10	1015625	The Bearer		
n/m.	"	1015626	do	*316.353.85	
n/m.	"	1015627	do	*316.353.85	
n/m.	"	1015629	do	*316.353.85	
				*316.353.85	
			au cours de 3.795/8	*1265.415.40	
					\$ 333.33

'6 January 1973

LOCKHEED INT.

No

Crédit Suisse
Place Bel-Air 2
1200 Genève

Gentlemen:

This is to confirm the request of Mr. L.T. Barrow,
Assistant Treasurer Lockheed Aircraft Corporation,
to stop payment on the following checks that were
stolen:

Check No.

168389
168390
168391
168392
168393
168394
168395
168396
168397
168398
168399
168400
168401
168402

Amount in \$

50,000.--
16,667.--
33,333.--
100,000.--
66,667.--
133,333.--
200,000.--
133,333.--
266,667.--
300,000.--
116,667.--
150,000.--
75,000.--
25,000.--

Total 1,666,667.--

Very truly yours,

LOCKHEED AIRCRAFT INTERNATIONAL
A.G.

A. G. Ottes

No. TX 032908

NON NEGOTIABLE

WE ADULT PAYMENT

May 11, 1973

KXNBYXK

KXNBYXK Lockheed Aircraft International, Inc.

310 West 6th Street (Federal Tax No. 93-0961880)

Los Angeles, California 90014

The Sum of Five hundred seventy five thousand five hundred seventy five \$575,575.75For the SHILKE & 76/100 DollarsTransfer of Two hundred million Only Japanese Yen ¥ 200,000,000.00TO Mr. J. M. Clutter

Telephone:

Tokyo 106, Japan

Office: (03) 214 - 0511

Home: (03) 583 - 2765

Call Mr. Clutter in advance of deliveryBy ☐ Air Mail ☒ Cable(Rate 254 Per Dollar)

DEAK & CO. OF LOS ANGELES, INC.

an agent of Bank & Co. of California, Inc.

Amount of Transfer U.S. \$ 575,575.75Commission & Air Mail Charge none

Special Handling

TOTAL RECEIVED \$ 575,575.75By [Signature]

Authorized Signature

This transaction subject to conditions on reverse side.

Keep this receipt, do not send it abroad. All inquiries must be accompanied by this receipt.

CUSTOMER'S RECEIPT



Deak & Co. (J.C.) Ltd.

406 SHELL HOUSE

HONG KONG

RECEIPT

No. 4080

HONGKONG, May 18, 1973

Received from: LockheedThe sum of: US\$ 1,666,667.00By order of: DeakIn payment of: Transfer to Tokyo

US

\$ 1,666,667.00Breit

605 SOUTH HILL STREET
LOS ANGELES, CALIFORNIA 90014
TELEPHONE (213) 627-3671
FEDERAL CURRENCY SPECIALISTS
AGENTS OF THE U.S. DEPARTMENT OF THE TREASURY
U.S. DEPARTMENT OF THE TREASURY
BUREAU OF CUSTOMS AND BORDER PROTECTION
U.S. CUSTOMS AND BORDER PROTECTION
LOS ANGELES, CALIFORNIA

FOREIGN MONEY TRANSFER RECEIPT NON NEGOTIABLE

No. FX 04477

May 31, 1973

Received From Lockheed Aircraft International, Inc.
310 West Sixth Street (Federal Tax No. 95-0941880)
Los Angeles, California 90014

The Sum of Ninehundredninethousandandnintyone & .24 Dollars U.S. \$ 909,091.24
For the Transfer of Twohundredfortymillion Only Japanese Yen ¥ 240,000,000.-

TO Mr. J. W. Clutter Telephone: Office (03) 214 - 0311
Tokyo 106, Japan Home: (03) 583 - 2765
Call Mr. Clutter in advance of delivery

By ☐ Air Mail ☒ Cable Rate 264 Per Dollar

Amount of Transfer U.S. \$ 909,091.24
Commission & Air Mail Charge ---
Special Handling ---
TOTAL RECEIVED \$ 909,091.24

DRAK & CO. of LOS ANGELES, INC.
as agent of Bank & Co. of California, Inc.

This transaction subject to conditions on reverse side. **ATC**
Keep this receipt, do not send it abroad. All inquiries must be accompanied by this receipt.

CUSTOMER'S RECEIPT

605 SOUTH HILL STREET
LOS ANGELES, CALIFORNIA 90014
TELEPHONE (213) 627-3671
FEDERAL CURRENCY SPECIALISTS
AGENTS OF THE U.S. DEPARTMENT OF THE TREASURY
U.S. DEPARTMENT OF THE TREASURY
BUREAU OF CUSTOMS AND BORDER PROTECTION
U.S. CUSTOMS AND BORDER PROTECTION
LOS ANGELES, CALIFORNIA

FOREIGN MONEY TRANSFER RECEIPT NON NEGOTIABLE

No. FX 04475

August 7, 1973

We Await Payment
From Lockheed Aircraft International, Inc. A.D.
310 West Sixth Street (Federal Tax No. 95-0941880)
Los Angeles, California 90014

The Sum of Threehundredeightytwothousandandfourhundrednine & 17/100 Dollars U.S. \$ 382,409.17
For the Transfer of Onehundredmillion Only Japanese Yen ¥ 100,000,000.-

TO Mr. J. W. Clutter Telephone: Office (03) 214-0311
Tokyo 106, Japan Home: (03) 583-2765
Pay as soon as possible after August 21st.- Call Mr. Clutter in advance of delivery

By ☐ Air Mail ☒ Cable Rate 261.5 Per Dollar

Amount of Transfer U.S. \$ 382,409.17
Commission & Air Mail Charge ---
Special Handling ---
TOTAL RECEIVED \$ 382,409.17

DRAK & CO. of LOS ANGELES, INC.
as agent of Bank & Co. of California, Inc.

This transaction subject to conditions on reverse side. **ATC**
Keep this receipt, do not send it abroad. All inquiries must be accompanied by this receipt.

CUSTOMER'S RECEIPT

Drak & Co., of Los Angeles, Inc.
 677 SOUTH FIGUEROA STREET, LOS ANGELES, CALIFORNIA 90017
 BRANCH OFFICES: L.A., Int'l Airport, Int'l Building 2-B, Telephone 213-624-4221
FOREIGN CURRENCY SPECIALISTS TELEPHONE (213) 624-4221

THE STATE OF CALIFORNIA: COUNTY OF LOS ANGELES: I, Drak & Co., of Los Angeles, Inc., do hereby certify that the within receipt is a true and correct copy of the original receipt as the same appears in the records of said company.

FOREIGN MONEY TRANSFER RECEIPT
NON NEGOTIABLE

No. FX 10000

November 21, 1974

Received From Lockheed Aircraft International, Inc., A.C.
510 West Sixth Street
Los Angeles, California 90014 Fed. Tax No. 95-0941880

The Sum of Ninetythree thousand nine hundred fifty nine and 23/100 U.S. \$ 93,959.73

For the Transfer of Japanese Yen Twenty Eight Million M. 28,000,000.

TO J.W. Clutter
Honat President Delivery must be made between Agst. 310 between December 1st and Dec. 10th.
3-20 Roppongi
1-Chome, Minato-ku Contact Mr. Clutter to arrange Delivery.

By ☐ Air Mail ☒ Cable 1067 Japan 1067 Cable

Rate 238 Per Dollar

Amount of Transfer U.S. \$ 93,959.73
 Commission & Air Mail Charge _____
 Special Handling _____
TOTAL RECEIVED \$ 93,959.73

DEAK & CO. OF LOS ANGELES, INC.
 AUTHORIZED SIGNATURE

This transaction subject to conditions on reverse side.
 Keep this receipt, do not send it abroad. All inquiries must be accompanied by this receipt.

CUSTOMER'S RECEIPT

Drak & Co., of Los Angeles, Inc.
 677 SOUTH FIGUEROA STREET, LOS ANGELES, CALIFORNIA 90017
 BRANCH OFFICES: L.A., Int'l Airport, Int'l Building 2-B, Telephone 213-624-4221
FOREIGN CURRENCY SPECIALISTS TELEPHONE (213) 624-4221

THE STATE OF CALIFORNIA: COUNTY OF LOS ANGELES: I, Drak & Co., of Los Angeles, Inc., do hereby certify that the within receipt is a true and correct copy of the original receipt as the same appears in the records of said company.

FOREIGN MONEY TRANSFER RECEIPT
NON NEGOTIABLE

No. FX 10000

July 16, 1974

Received From Lockheed Aircraft International, Inc., A.C.
510 West Sixth Street
Los Angeles, Calif. 90014 Fed. Tax No. 95-0941880

The Sum of One hundred Fifty Thousand Dollars and Forty Five Thousand and no/100 U.S. \$ 105,000.00

For the Transfer of Thirty Million Three Hundred and Forty Five Thousand Japanese Yen M. 30,345,000.

TO Mr. A.H. Elliott
Palace Hotel Contact Mr. Elliot to arrange Delivery
Tokyo, Japan

By ☐ Air Mail ☒ Cable

Rate 289 Per Dollar

Amount of Transfer U.S. \$ 105,000.00
 Commission & Air Mail Charge _____
 Special Handling _____
TOTAL RECEIVED \$ 105,000.00

DEAK & CO. OF LOS ANGELES, INC.
 AUTHORIZED SIGNATURE

This transaction subject to conditions on reverse side.
 Keep this receipt, do not send it abroad. All inquiries must be accompanied by this receipt.

CUSTOMER'S RECEIPT

JUNE 19, 1974

INVOICE NO. 81404-31

DATE SHIPPED

HOW SHIPPED

TERMS

SOLD TO

LOCKHEED CALIFORNIA COMPANY
P. O. Box 551

MERRICK, California 91520 U S A

Your Order No.

Old Order No.

Packing Sheet No.

Item No.

DESCRIPTION

Quantity

Unit cost

Total Net

This is to bill you for :

L-1011 Marketing Services

74,000.00

TOTAL INVOICE

\$ 74,000.00

Approved - Frank P. Kelly 7-22-74
ANA rental for L1011 truck.

Copy : Mr. S. E. Schattenberg - LAI

Received 7/15/74
R. Kelly

PROPERTY FOR CHECK ☐ REIMBURSEMENT ☒

FORM LAG 141-1

ORIGINATING DEPT./ORGN. 81-26	REQUEST DATE 7-25-74	WHEN REQUIRED 7-26-74
---	--------------------------------	---------------------------------

AMOUNT

Seventy-Four Thousand and no/00-----\$74,000.00

PAYABLE TO

EMPLOYEE NO.
(IF APPLICABLE)**Lockheed Aircraft International A.G.**

ADDRESS

Geneva, Switzerland

DISPOSITION OF CHECK OR FUNDS

☐ SEND TO ABOVE ADDRESS
 ☐ OTHER:

☐ APPLY AGAINST ADVANCE

EXPLANATION

L-1011 Marketing Services:**Invoice No. 81406-31 dated June 19, 1974**

CHARGE TO ACCOUNT/WORK ORDER NO.

W/O 6-3299-1901

REQUESTER'S SIGNATURE

LSA

DEPT./ORGN. APPROVAL

H.S. Paulin

ACCOUNTING APPROVAL

FINANCE APPROVAL

SECURITY PACIFIC NATIONAL BANK <small>HEAD OFFICE BANKING ROOM</small> MONEY TRANSFER DEBIT		No. 62577
REQUESTOR _____	DATE <u>7/26/74</u>	
CREDIT BANK <u>C-1 MORGAN EBY YORK</u>	ACCT _____	
MEMO:		
<div style="border: 1px solid black; padding: 5px; width: fit-content;"> LOCKHEED CALIFORNIA CO. DEPT 81-22 HLDG 66A P.O. BOX 551 MURRANE CA 91520 </div>	<div style="border: 1px solid black; padding: 5px; width: fit-content;"> PREPARED BY APPROVED BY </div>	<div style="border: 1px solid black; padding: 5px; width: fit-content;"> 9540577 OUR REFERENCE NO. </div> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin-top: 10px;"> ACCOUNT NO. 023 - 671 </div> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin-top: 10px;"> \$ 74,000.00 </div>
<small>CUSTOMER'S ADVICE</small>		

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

23 WALL STREET, NEW YORK, N.Y. 10015

DATE	ACCOUNT N	SER	REFERENCE CODE	CONTROL NO.
07/26/74		037 85 764		1183

WE HAVE CREDITED YOUR ACCOUNT

AMOUNT

\$74,000.00

BY ORDER OF

SECURITY PACIFIC NATIONAL BANK
LOS ANGELES CALIFORNIA 90054

MAIL TO

LOCKHEED AIRCRAFT INTERNATIONAL A G
1204 GENEVA
SWITZERLAND

-VIA AIR MAIL-

RECEIVED

2-9 JUL 1974

B ACCOUNTING

B/O LOCKHEED AIRCRAFT INTL AG

839

4 ADVICE OF CREDIT

MONEY TRANSFER-WIRE AND CABLE DEPARTMENT

278

lockair a pari:*

laiag geneva twx 128 june 17/74

e.h. schattenberg lic burbank

4gn/ac 1-3572

we have transferred today dhrs 74,000-00 to societe de
banque suisses in basel switzerland for credit account deak and
co (far-east) ltd

2.50M

06-4-750

lockair a paris
2259a lock cht

*From New York
12/5/74*

677 SOUTH FIGUEROA STREET, LOS ANGELES, CALIFORNIA 90017
BRANCH OFFICES: L.A. Int'l Airport, Unit 1, Building 2 & 7th Street Bldg. 5, Los Angeles, Ca. 90009
TELEPHONE (213) 624-4221

508 100th Ave
Brooklyn, NY 11219

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Submitted On: 10/10/2019

FOREIGN MONEY TRANSFER RECEIPT
NON NEGOTIABLE

No. FX 02-439

June 14, 1974

Received From Lockheed Aircraft International, Inc. A.G.
510 West 6th Street
Los Angeles, California 90014 Fed Tax No. 95-0941880

The sum of seventyfourthousand dollars & no cents \$74,000.00
 For the twentyxilion sevenhundreditwentythousand Yen 20,720,000.
 Transfer of Mr. A. H. Elliott
Palacio Hotel
Tokyo, Japan
 TO Contact Mr. Elliott only XXX to arrange delivery
RAY CAMP

By ☐ Air Mail ☒ Cable

Rate 280 Per Dollar

Amount of Transfer U.S. \$ 24,000.00
Commission & Air Mail Charge _____
Special Handling _____
TOTAL RECEIVED \$ 24,000.00

DEAK & CO. of LOS ANGELES, INC.

[Signature]

It is the use that is subject to conditions on reverse side.

CUSTOMER'S RECEIPT

the desk of

TOM BARROW

Dear Bob
Copy of [unclear]

EA

June 24

Dear Bob:

Enclosed is a receipt in the amount of
2,720,000 yen representing 74,000
U.S. dollars that you recently trans-
ferred via Deak, Basel, Switzerland,
and chargeable to Lockheed-California
Company.

Tom

NOT FOR CHECK ☐

REIMBURSEMENT ☒

AC 141-1

INITIATING DEPT./ORGN.

REQUEST DATE

WHEN REQUIRED

81-26

6-27-74

6-27-74

AMOUNT

Two Hundred Twenty-Six Thousand

Four Hundred Fifteen and no/100----- \$226,415.00

PAYABLE TO

EMPLOYEE NO.
(IF APPLICABLE)

Lockheed Aircraft International A.G.

ADDRESS

Geneva, Switzerland

DISPOSITION OF CHECK OR FUNDS

☐ SEND TO ABOVE ADDRESS ☐ OTHER:

☐ APPLY AGAINST ADVANCE

EXPLANATION

L-1011 Marketing Services under

LAIAG Contract 1010, Amendment #1

Payment of Invoice No. 81312-29

CHARGE TO ACCOUNT/WORK ORDER NO.

W/O 6-3299-1901

REQUESTER'S SIGNATURE

DEPT./ORGN. APPROVAL

HN

H.S. Hamlin

ACCOUNTING APPROVAL

FINANCE APPROVAL

LOCKHEED AIRCRAFT INTERNATIONAL AG.

SHIPPED TO

1, PLACE LONGEMALLE, 1000 GENEVE
SWITZERLAND

DATE DEC. 17, 1973

INVOICE NO. 81312-29

DATE SHIPPED

HOW SHIPPED

TERMS

SOLD TO

LOCKHEED CALIFORNIA COMPANY
Accounts Payable Dept.
Attn. Mr. Gunnar HAASE - Dept. 81-25
P. O. Box 551
BIRBAKE, California 91503

Our Order No.	Our Order No.	Packing Sheet No.		
Our No.	DESCRIPTION	Quantity	Unit cost	Total Net
	<p>THIS IS TO BILL YOU FOR TECHNICAL AND MARKETING SERVICES RENDERED DURING PERIOD 1 January through May 30, 1973</p> <p>Re: LAIAS Contract 1010, Amendment No. 1, Order for Services for LOCKHEED CALIFORNIA COMPANY, Dated 1 January 1972.</p> <p><i>Approved JH Puhl</i></p>			<p>\$ 226'415.00</p> <p>*****</p>
JUN 21 1974				

RECEIPT

BANK OF AMERICA
NATIONAL TRUST AND SAVINGS ASSOCIATIONTAMOS 60 6-28-76
(OFFICE)

(DATE)

RECEIVED FROM: LOCKHEED AIRCRAFT CORP

ADDRESS: _____
FOR PAYMENT BY TELEGRAPH, SUBJECT TO CONDITIONS APPEARING ON THE REVERSE HEREOF:

TO: MORGAN GUARANTY TRC O NEWYORK NEWYORK

ADDRESS: LOCKHEED INTL A.G.

FOR ACCOUNT OF: LOCKHEED AIRCRAFT CORP

BY ORDER OF: _____
(FILL IN IF REMITTER'S NAME IS TO BE INCLUDED IN MESSAGE)

THROUGH: _____
(NAME OF BANK THROUGH WHOM PAYMENT IS TO BE MADE)

THE SUM OF _____ DOLLARS

SPECIAL INSTRUCTIONS

SETTLEMENT FOR THIS PAYMENT IS MADE AS FOLLOWS

AMOUNT OF PAYMENT \$ 226,415.00

COMMISSION \$ _____

CHARGES (TELEGRAM) \$ _____

TOTAL \$ _____

FUNDS RECEIVED

CHECKS RECEIVED	CASH
	CHECK ON
	WE CHARGE YOUR ACCT

PR-170 ORIGINAL 4-71

TELLER


 ASSISTANT CASHIER - MANAGER

BANK OF AMERICA		ADVICE OF CHARGE		9		No. 3920									
TAMOP 600 6-28-74 DATE		WE HAVE CHARGED YOUR <input type="checkbox"/> CHECKING ACCOUNT <input type="checkbox"/> SAVINGS ACCOUNT		<table border="1"> <tr> <td>00</td> <td>6-6164</td> <td>59</td> <td>226,415.00</td> </tr> <tr> <td>TYPE NO</td> <td>KEY NO</td> <td>TR CODE</td> <td>TURBIDITY</td> </tr> </table>		00	6-6164	59	226,415.00	TYPE NO	KEY NO	TR CODE	TURBIDITY		
00	6-6164	59	226,415.00												
TYPE NO	KEY NO	TR CODE	TURBIDITY												
AS FOLLOWS: <u>TRF OF FUNDS TO MORGAN GUARANTY TR CO NEWYO</u>															
(MAIL TO) LOCKHEED AIRCRAFT CORP															
MADE BY _____ APPROVED BY <i>J. R. [Signature]</i> 1980-6-08 ORIGINAL DATE OF ORIGINAL 1980A															

R.H. Peterson
 L.H. 11
 J. Grosz

May 21, 1973

A.C. Olson

401.21322

U.S. General Account - Credit Suisse, 1011 Marboing St., Geneva

Attached is the following:

- 1) Receipt of 6 million Yen from Katayama Interprices.
- 2) Debit advice showing that four (4) checks totalling US\$226,415.00 have been issued and charged to our Account No. 403.000-01.

We will keep the amount of \$226,415.00 in an unbillable receivables until such time as we will either bill UNIVAC or the GILCO company for making a disbursement of these sums on their behalf, all in furtherance of 1011 efforts.

cc: [unclear]
 [unclear]

There may be no relation between these 2 items
 if you want they're being kept

CREDIT SUISSE
SCHWEIZERISCHE KREDITANSTALT
CREDITO SVIZZERO - SWISS CREDIT BANK
GENÈVE

Téléphone (022) 267411
Télégrammes: CREDIT

Lockheed Aircraft
International A.G.

1211 GENÈVE 11, le 11 mai 1973 Pc/Je/272

Nous avons l'honneur de vous informer que nous avons débité votre compte,
valeur ce jour, des dispositions sur nous, selon détail ci-après.

Vos dévoués,

CREDIT SUISSE

Vise: *67*

En place des signatures collectives, cet avis peut porter la vise d'une seule personne autorisée à signer.

Emises par	Votre avis	N° du chèque	Ordre	Montant Fr.	Total Fr.
n.m.	11.5.	169355	au porteur		US\$ 50.000.-- *****
n.m.	11.5.	169357	au porteur		US\$ 50.000.-- *****
n.m.	11.5.	169358	au porteur		US\$ 70.000.-- *****
n.m.	11.5.	169359	au porteur		US\$ 56.415.-- *****

Request for: **CHECK**

TRANSFER

Date of Request: 14 May 73

Date Required:

Payee: ADVANCE TO CAYAC-MARKETING

Address:

Amount: US \$ 226,415.00 SFr.

Eight hundred and fifty six thousand four
(amount in words)
hundred and fifteen "00

Explanation:

PAYMENT RE MARKETING SERVICES FOR

REF SEE FILE "CALING MARKETING"

WITH 7 GREYSTAD

Disposition of Check: ALREADY PAID (MONEY DRAWN BY
MRS. OBERG + PACERNO

Requested by: ACE

Payment REF A6C 6 JDC

Department Head:

Approval: 46N-31622

Account Distribution

Sub Ledger				G/L Ledger		AMOUNTS	
Acc.	Dept	Code	DR (CR) \$	Acc.	Code	DR	CR
				18919	✓	226.410	
				11002			226.410

Accounting

Approval:

Machine Posting

POSTED
18 MAY 1973

FOREIGN CURRENCY SPECIALISTS
TELEPHONE (213) 624-4141

FOREIGN CURRENCY SPECIALISTS

Associated Cities:

New York, N. Y.	Manila, Japan	Apia, Samoa
Washington, D. C.	Maui, Hawaii	San Francisco, Alaska
Portland, Oregon	Fiji, South Pacific	Hong Kong, S.O.C.
Quebec, Canada	Singapore, S.E. Asia	Yokohama, Japan

Received

From Lockheed Aircraft International, Inc., A.G.

510 West Sixth Street (Fed. Tax No. 95-0941880)

Los Angeles, Calif. 90014

The Sum of One Hundred One Thousand Four Hundred Forty Nine Dollars & 28/100 US\$101449.28

Transfer of TwentyEightMillionJapaneseYenOnly***** ¥ 28,000,000,00

TO Mr. J.W. Clutter

Tokyo 106, Japan.

DELIVERY TO BE MADE AS SOON

AS POSSIBLE. PLEASE CALL MR.

CLUTTER IN ADVANCE OF DELIVERY

TELEPHONE:

officer (03) 214-0511

res. (03) 583-2765

By ☐ Air Mail ☒ Cable

Rate	276	Per Dollar
------	-----	------------

Amount of Transfer U.S. \$ 101,649.28

Commission & Air Mail Charge

Special Handling

TOTAL RECEIVED

\$ 101 449.28

Revised 12-1-78

This transaction subject to conditions on reverse side.

Keep this receipt, do not send it abroad. All exports must be accompanied by this receipt.

CUSTOMER'S RECEIPT

289

Deak & Co., of Los Angeles, Inc.
 677 SOUTH FIGUEROA STREET, LOS ANGELES, CALIFORNIA 90017
 BRANCH OFFICES: L.A. Int'l Airport, Int'l. Building 2 & Third Floor, S. Los Angeles, Ca. 90008
FOREIGN CURRENCY SPECIALISTS TELEPHONE (213) 624-4221

FOREIGN MONEY TRANSFER RECEIPT

NON NEGOTIABLE
No. FX
March 29, 1974
WE AWAIT PAYMENT:

 Received From **LOCKHEED AIRCRAFT INTERNATIONAL, INC.**
510 WEST SIXTH STREET
LOS ANGELES, CALIFORNIA 90014

 The Sum of **OneHundredEightyTwoThousandFourHundredEightOne75/100** U.S. \$ **182,481.75**

 For the Transfer of **FiftyMillionJapaneseYenOnly******* ¥ **50,000,000**

 TO **Mr. J. W. Clutter**
Tokyo 106, Japan
DELIVERY TO BE MADE IN APRIL
PLEASE CALL MR. CLUTTER IN
ADVANCE OF DELIVERY.
****Telephone:**
Office: (03) 214-0511
Res.: (03) 583-2765

 By ☐ Air Mail ☒ Cable

 Rate **274.00** Per Dollar

 Amount of Transfer U.S. \$ **182,481.75**

Commission & Air Mail Charge

Special Handling

TOTAL RECEIVED \$ **182,481.75**

 By **JMM**

AUTHORIZED SIGNATURE

 This transaction subject to conditions on reverse side.
 Keep this receipt, do not send it abroad. All inquiries must be accompanied by this receipt.

CUSTOMER'S RECEIPT

Deak & Co., of Los Angeles, Inc.
 677 SOUTH FIGUEROA STREET, LOS ANGELES, CALIFORNIA 90017
 BRANCH OFFICES: L.A. Int'l Airport, Int'l. Building 2 & Third Floor, S. Los Angeles, Ca. 90008
FOREIGN CURRENCY SPECIALISTS TELEPHONE (213) 624-4221

FOREIGN MONEY TRANSFER RECEIPT

NON NEGOTIABLE
No. FX 07400
April 18, 1974
WE AWAIT PAYMENT:

 Received From **LOCKHEED MKX AIRCRAFT INTERNATIONAL, INC., A. G.**
510 WEST SIXTH STREET (Fed. Tax No. 95-0961580)
LOS ANGELES, CALIFORNIA 90014

 The Sum of **OneHundredThirteenThousandOneHundredThirtyEight92/100** U.S. Dollars \$ **113,138.92**

 For the Transfer of **ThirtyOneMillionJapaneseYen******* ¥ **31,000,000.00**

 TO **Mr. J. M. Clutter**
Tokyo 106, Japan
DELIVERY TO BE MADE AS SOON
AS POSSIBLE. PLEASE CALL MR.
CLUTTER IN ADVANCE OF DELIVERY.
TELEPHONE:
Office: (03) 214-0511
Res.: (03) 583-2765

 By ☐ Air Mail ☒ Cable

 Rate **274.00** Per Dollar

 Amount of Transfer U.S. \$ **113,138.92**

Commission & Air Mail Charge

Special Handling

TOTAL RECEIVED \$ **113,138.92**

 This transaction subject to conditions on reverse side.
 Keep this receipt, do not send it abroad. All inquiries must be accompanied by this receipt.

CUSTOMER'S RECEIPT

...: 11

LEADS - CASH URGENT URGENT

Request for : **CHEQUE**

☐

TRANSFER

☒

Date of Request: _____

Date:

AMOUNT : US \$ 89,285.71

OTHER CURRENCIES

AMOUNT in words : eight, by nine thousand four hundred and six 71/100

PAYEE : DEAK AND CO (FAR EAST LTD) Acct with SES B.N.:
ADDRESS : _____

ADDRESS :

EXPLANATION : ADVERTISING - MARKETING SERVICES

REBILLABLE TO BALAC ATTN: MR. F. PUHL

DISPOSITION OF CHEQUE : by draft

REQUESTED/PREPARED BY

¹ PAYMENT APPROVAL : E.H.P. We attached

DATE : 12/12/2012

DD K M Y Y

DEBIT ACCT.

CREDIT ACCT.

AMOUNTS

CODE CAT

LEDGER TEXT

**CUR-
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Deak & Co. of Los Angeles, Inc.
 677 SOUTH FIGUEROA STREET, LOS ANGELES, CALIFORNIA 90017
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 FOREIGN CURRENCY SPECIALISTS TELEPHONE (213) 624-4221

FOREIGN MONEY TRANSFER RECEIPT

NON NEGOTIABLE

No. FX

March 20, 1974

WE AWAIT PAYMENT

Received From Lockheed Aircraft International, Inc. A. C.

510 W. Sixth Street (Federal Tax No. 93-0941880)

Los Angeles, California 90014

The Sum of EightyNineThousandTwoHundredEightyFiveAnd71/100***** U.S. \$ 89,285.71

For the Transfer of TwentyFiveMillion Japanese Yen***** ¥ 25,000,000.-

TO Mr. J. W. Clutter

Tokyo 106, Japan

**Telephone:

DELIVERY MUST BE MADE DURING THE FIRST

Office (03) 214-

WEEK OF APRIL, 1974. PLEASE CALL MR.

0511

CLUTTER IN ADVANCE OF DELIVERY.

Res. (03) 553-2765

By ☐ Air Mail ☒ Cable

Rate 280 Per Dollar

DEAK & CO. of LOS ANGELES, INC.

Amount of Transfer U.S. \$ 89,285.71

Commission & Air Mail Charge

Special Handling

TOTAL RECEIVED \$ 89,285.71

By *[Signature]*

AUTHORIZED SIGNATURE

This transaction subject to conditions on reverse side. JSM

Keep this receipt, do not send it abroad. All inquiries must be accompanied by this receipt.

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 635 SOUTH HILL STREET
 LOS ANGELES, CALIFORNIA 90014
 BRANCH OFFICE: L.A. Int'l Airport, Int'l. Building 2 & 3, Los Angeles, Cal. 90009
 FOREIGN CURRENCY SPECIALISTS TELEPHONE (213) 627-5771
 AGENTS OF DEAK & CO. OF CALIFORNIA, INC. (CORPORATION LICENSED BY THE STATE OF CALIFORNIA BANKING DEPARTMENT)

FOREIGN MONEY TRANSFER RECEIPT

NON NEGOTIABLE

No. FX 06794

February 20, 1974

WE AWAIT PAYMENT

Received From Lockheed Aircraft International, Inc. A.C.

510 W. Sixth Street (Federal Tax No. 93-0941880)

Los Angeles, California 90014

The Sum of Eightysixthousandeighthundredfifty & .36/100 Dollars U.S. \$ 86,805.36

For the Transfer of Twentyfivemillion Only Japanese Yen ¥ 25,000,000.-

TO Mr. J. W. Clutter

Telephone:

Office (03) 214-0511

Tokyo 106, Japan

Residence (03) 583-2765

Delivery must be made by February 28, 1974.

Please call Mr. Clutter in advance of delivery.

By ☐ Air Mail ☒ Cable

Rate 288 Per Dollar

DEAK & CO. of LOS ANGELES, INC.

Amount of Transfer U.S. \$ 86,805.36

Commission & Air Mail Charge

Special Handling

TOTAL RECEIVED \$ 86,805.36

By *[Signature]*

AUTHORIZED SIGNATURE

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DISBURSEMENT <input checked="" type="checkbox"/> MEMO ENTRY <input checked="" type="checkbox"/>	
ORIGINATING DEPT./ORGN. (04-20)	REQUEST DATE 1-7-74
WHEN REQUIRED 1-7-74	
AMOUNT Four hundred fifty thousand and 00/100.....\$450,000.00	
PAYABLE TO Chase Manhattan Bank Lockheed Aircraft Corporation A. G.	EMPLOYEE NO. (IF APPLICABLE) c
ADDRESS	
DISPOSITION OF CHECK OR FUNDS Cr 1000-98	
<input type="checkbox"/> SEND TO ABOVE ADDRESS <input type="checkbox"/> OTHER:	<input type="checkbox"/> APPLY AGAINST ADVANCE
EXPLANATION L-1011 Commissions (ANA)	
CHARGE TO ACCOUNT/WORK ORDER NO.	
Bill Calac Direct 1959	
REQUESTER'S SIGNATURE J. S. Poindexter	DEPT./ORGN. APPROVAL L. T. BARTOW
ACCOUNTING APPROVAL 7-1964	FINANCE APPROVAL

LOCKHEED AIRCRAFT CORPORATION

CORPORATE OFFICE
BURBANK, CALIFORNIA 91505

(BUSHIELD)

DATE 1/26/74

INVOICE NO. CR 1-1

DATE SHIPPED

HOW SHIPPED

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SOLD TO

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ORDER NO.	OUR ORDER NO.	PACKING SHEET NO.		
NO.	DESCRIPTION	QUANTITY	UNIT NET	TOTAL NET
	COMMISSION ON L-1011 A.W.A. PROGRAM, PAID BY LAI-AG ON BEHALF OF CALAC. SEE ATTACHED 11/27/73 IDC FROM L. T. BARROW TO SHARON WILLIAMS. THIS CHARGE WAS ORIGINALLY RECORDED BY CORLAC 1973 J.V. CR 12-21 AND REVERSED IN JAN. 1974.		2	\$400,000.00
	<u>CORLAC DIST.</u> DR. 2962-03 CR. 2959-02			

chgd. to # 61-3299-1901

Paid 2/1/74
By
Accounts Payable
Master Chk # 2
(Per Verna Rowe)

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FOREIGN MONEY TRANSFER RECEIPT

NON NEGOTIABLE

No. FX 14905

September 20, 1973

We Await Payment

Lockheed Aircraft International, Inc. A.C.

510 West Sixth Street (Federal Tax No. 95-0941880)

Los Angeles, California 90014

Four hundred one thousand one hundred thirty five &

28/100 Dls.

U.S. \$ 401,135.28

For the Transfer of One hundred six million Only Japanese Yen

¥ 106,000,000.--

TO Mr. J. W. Clutter

Telephone:

Tokyo 106, Japan

Office (03) 214-0511

Home (03) 583-2765

Pay as soon as possible after October 1st.-

Call Mr. Clutter in advance of delivery

By ☐ Air Mail ☒ Cable

Rate 264.25 Per Dollar

Amount of Transfer U.S. \$ 401,135.28

Commission & Air Mail Charge

Special Handling

TOTAL RECEIVED \$ 401,135.28

By

ART

AUTHORIZED SIGNATURE

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 Foreign Letter of Credit
 Foreign Wire Transfer
 Foreign Money Order
 Foreign Check
 Foreign Draft
 Foreign Bill of Lading
 Foreign Invoice
 Foreign Packing Slip
 Foreign Certificate of Origin
 Foreign Consignment Note
 Foreign Bill of Sale

FOREIGN MONEY TRANSFER RECEIPT

NON NEGOTIABLE

No. FX 05900

July 18, 1973

We Await Payment Lockheed Aircraft Int'l. A.C.

Lockheed Aircraft International, Inc.

510 West Sixth Street (Federal Tax No. 95-0941880)

Los Angeles, California 90014

Three hundred eighty four thousand six hundred fifteen

& 38/100 Dollars

U.S. \$ 184,615.38

For the Transfer of One hundred million Only Japanese Yen

¥ 100,000,000.--

TO Mr. J. W. Clutter

Telephone:

Tokyo 106, Japan

Office (03) 214-0511

Home (03) 583-2765

Pay as soon as possible after July 23rd.-

Call Mr. Clutter in advance of delivery

By ☐ Air Mail ☒ Cable

Rate 260 Per Dollar

Amount of Transfer U.S. \$ 184,615.38

Commission & Air Mail Charge

Special Handling

TOTAL RECEIVED \$ 184,615.38

By

ART

AUTHORIZED SIGNATURE

This transaction subject to conditions on reverse side.

Keep this receipt, do not send it abroad. All inquiries must be accompanied by this receipt.

CUSTOMER'S RECEIPT

July 16, 1973

This transaction subject to conditions on reverse side.

Keep this receipt, do not send it abroad. All inquiries must be accompanied by this receipt.

CUSTOMER'S RECEIPT

[illegible]

No. FX

January 20, 1973

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CUSTOMER'S RECEIPT

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Request for : CHEQUE

7

TRANSFER

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Date of Request : 21.1.75

Date Required : 2.1.75

AMOUNT : US \$ 163,934,42

OTHER CURRENCIES :

AMOUNT IN WORDS : One hundred Sixty three Thousand Nine Hundred Thirty four and 41/100

PAID: 26th Feb 60 Swiss Bank Corp. Bk of South America

ADDRESS : _____ Desk & Co (Inc-ent) Ltd

EXPLANATION: L-1011 Marketing Expense

DISPOSITION OF CHECKS :

REQUESTED/PREPARED BY :

PAYMENT APPROVAL: *K. M. Rice*

DATE : 11/11/11

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Rebail to. C. S. A. C. —
Attn: Frank Puhl

LEDGER TEXT

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QUESTION FROM THE FLOOR. Mr. Levinson, I gather we are in a press conference format, more or less?

Mr. LEVINSON. No.

PAYMENTS TO AGENTS

QUESTION FROM THE FLOOR. I add up the stuff on the sheet and I come to \$15,800,000. Now, is that to be taken by us to be the total amount of the bribes that were found?

Mr. LEVINSON. Those are commissions; those are payments to agents. We have not identified those as bribes.

QUESTION FROM THE FLOOR. One of the commissions paid was clearly LSTA. What does that mean?

Mr. LEVINSON. We will explain that in the course of the hearing.

QUESTION FROM THE FLOOR. Were there no payments made in Germany?

Mr. LEVINSON. This is not a press conference.

PAYMENTS DISCLOSED IN THE LOCKHEED HEARING OF SEPTEMBER 12, 1975

As was brought out in the original Lockheed hearing, over \$200 million in commissions were paid by Lockheed in the period 1970 to 1975, and they, themselves, the corporation, in its explanation given to the Finance Committee and the SEC, has said approximately \$22 million went to Government officials but that was brought out in the last hearing held by this subcommittee connected with Lockheed.

[A brief recess was taken.]

SWEARING OF MR. WILLIAM G. FINDLEY OF ARTHUR YOUNG CO.

Senator CHURCH. Our first witness is Mr. William G. Findley, of the Arthur Young Co., who are auditors for the Lockheed Aircraft Co.

Mr. Findley, will you please take the oath?

Do you swear that all the testimony you will give in these proceedings will be the truth, the whole truth, and nothing but the truth, so help you God?

TESTIMONY OF MR. WILLIAM G. FINDLEY, ARTHUR YOUNG AND COMPANY, LOS ANGELES, CALIF.; ACCOMPANIED BY HALIBURTON FALES II, ESQUIRE, WHITE AND CASE, NEW YORK.

Mr. FINDLEY. Yes, sir.

Mr. FALES. Before questions are asked of Mr. Findley, Mr. Chairman, might I, on his behalf and on the behalf of Arthur Young, as their counsel, make a very short statement?

Senator CHURCH. Yes, of course.

Mr. FALES. Arthur Young, through Mr. Findley, is appearing here today, of course, pursuant to the subpoena duly issued by this committee.

Arthur Young has asked, and continues to request, confidentiality about the matters which its client, Lockheed, views as confidential. There are basically three bases for this request. One is that the auditors are, of course, not employees of Lockheed and are not involved

themselves in the transactions that you may ask about. The knowledge that they have is gained after the fact and through hearsay.

Second, I think it is apparent to all that some of the information involved is sensitive, and Arthur Young, itself, is not fully aware of all of the sensitivities and is not in the best position to present the arguments for sensitivity, and, third, auditors are, by the nature of their professional assignment, the recipients of confidences from their clients and it is in the public interest that that confidence should be respected so that they can obtain information from various employees of their clients to find out what is going on.

We submitted on Monday a statement to that effect, and I am happy to see that the documents which have been made available to the press, although a very few in number, have happened to come from Arthur Young's file, are in general all documents which are in Lockheed's files and have also been subpoenaed from them.

The Arthur Young document which has been produced was written in July of 1975 before Arthur Young knew as much about these matters as it now knows, and there is one error in that document at page three, which has been labeled page 20 of these documents. There is, we have discovered, an error with respect to a deduction of \$10,000 by a consultant. Further work has otherwise identified that amount, and we do wish to point out that the Arthur Young special audit of this subject matter has not been fully concluded, and so we are not in possession of the full facts.

Senator CHURCH. Thank you very much.

As you know, the subcommittee has heard the testimony from the Arthur Young accountant firm as well as testimony from counsel and representatives of Lockheed in Executive session. We have tried to take into account the arguments for confidentiality; those that we found to be legitimate, we have accepted, and for that reason certain portions of your papers that the committee received have not been made public. It is also well understood that you are here in response to a subpoena issued by the subcommittee, and not as a volunteer, so I think professionally speaking you have handled your responsibilities to your client in the perfectly proper way.

Senator Pearson, I notice that we have another vote. Are there any comments that you would like to make before we begin?

Senator PEARSON. No, I have no comments, Mr. Chairman.

Senator CHURCH. Would it be possible for you to vote and return? In that way, we could continue with the hearing.

Senator PEARSON. All right. I will dash over and come right back. Is Dick here?

Senator CHURCH. Yes, he was a moment ago. I think he may be back.

Mr. Levinson, will you please begin the questioning?

ARTHUR YOUNG AS LOCKHEED'S AUDITORS

Mr. LEVINSON. Mr. Findley, how long has Arthur Young been Lockheed's independent auditors?

Mr. FINDLEY. It appears to me that we were first selected as an independent accountant for Lockheed—

Mr. LEVINSON. Could you please speak into the microphone?

Senator CHURCH. Just pull the microphone closer to you.

Mr. FINDLEY. According to my understanding, the answer to that question is that we have been the auditors for Lockheed Aircraft Corp. since 1933, I believe it is.

Mr. LEVINSON. So, of course, you are intimately familiar with Lockheed's accounting procedures and the books of Lockheed?

HOW AUDITS ARE CONDUCTED

Mr. FINDLEY. I have a general knowledge of Lockheed's accounting procedures and the books of Lockheed. I think a more precise answer to that, though, would be to give you some explanation of how an audit is conducted, so that there can be no misunderstanding.

First, Lockheed is an extremely large organization with revenues and expenses in the neighborhood of \$3 billion a year. Those amounts involve thousands and thousands of transactions which take place in a variety of divisions and subsidiaries. The audit of Lockheed Aircraft Corp. is an immense undertaking, requiring approximately 20-, in the neighborhood of 20,000 man-hours. In the process of accumulating that information, a great deal of information is obtained by other partners of Arthur Young and Company, and, indeed, responsibility for many, what I would characterize as less material, matters, are delegated to people who are not partners, but who are experienced auditors.

ARTHUR YOUNG'S AWARENESS OF PAYMENTS

Mr. LEVINSON. When did you first become aware of large and unusual payments to agents and consultants in connection with foreign sales of the Lockheed Corp.?

Mr. FINDLEY. Well, we've—excuse me—we've been aware of the fact that the company has retained agents and consultants for many years. My interest, particular interest, in this matter developed in either the late 1960's or the early 1970's. I can't recall exactly when, but in roughly that time frame.

DISCUSSIONS WITH LOCKHEED'S MANAGEMENT

Mr. LEVINSON. In that time frame did you bring these payments to the attention of management and the board of directors?

Mr. FINDLEY. We discussed these payments with management annually in connection—with various members of management—annually in connection with our examinations. It seems to me that the numbers became sufficiently large in connection with our 1972 audit so that we brought this matter to the attention of the audit committee of Lockheed.

Mr. Levinson. Yes, and what was the reaction of the audit committee of Lockheed?

Mr. FINDLEY. Their reaction was of concern and interest. They, we, jointly discussed this subject with various members of management.

AUDIT COMMITTEE OF THE BOARD

Mr. LEVINSON. First of all, could you identify who makes up the audit committee of the board, and then which members of management you discussed the matter with?

Mr. FINDLEY. Let's see. At that time the audit committee was composed of Mr. Jack Horton, who is a director of the corporation then and now.

Mr. LEVINSON. Could you speak up so that they could hear?

Mr. FINDLEY. Mr. Dwight Cochran. It is my recollection that the third member of the committee has since retired from the board, and I am not sure what his name is now. That was four years ago.

Mr. LEVINSON. So, you brought it to the attention of the board? It first became, according to your testimony, sufficiently large an amount that you felt it was something that warranted your bringing it to the attention of the audit committee of the board in 1972, correct?

Mr. FINDLEY. That's correct.

Mr. LEVINSON. OK.

RECORDS OF MEETINGS WITH THE AUDIT COMMITTEE

Senator CHURCH. When you brought it to the attention of the audit committee, were your discussions with the Committee on the record, or were they off the record?

Mr. FINDLEY. It seems to me that these discussions were in what was characterized as executive session.

Senator CHURCH. Does that mean off the record?

Mr. FINDLEY. Off the record in terms of whether or not—

Senator CHURCH. Was a transcript kept?

Mr. FINDLEY. I don't believe a transcript was kept, no, sir.

Senator CHURCH. Were detailed notes of the questions you raised and their answers to those questions kept?

Mr. FINDLEY. There were some summary notes kept by myself and my partner, who accompanied me to that meeting.

Senator CHURCH. Is your answer then, that whatever notes were kept were summary notes which you kept yourself?

Mr. FINDLEY. That's my understanding of the matter, yes, sir.

Senator CHURCH. And were those summary notes the only record of the discussion, the discussions that took place?

Mr. FINDLEY. I know of no other record.

Senator CHURCH. You know of no other record. Thank you.

ARTHUR YOUNG'S PRESENTATION TO LOCKHEED'S BOARD OF DIRECTORS

Mr. LEVINSON. Now, on June 23, 1975, did Arthur Young make a presentation to the board of directors of Lockheed with respect to agent fees paid in connection with Lockheed sales abroad?

Mr. FINDLEY. Yes, sir.

Mr. LEVINSON. What occasioned that particular presentation?

Mr. FINDLEY. That's a complex question.

Mr. LEVINSON. Well, was the presentation occasioned by the hearings of this subcommittee in connection with the Northrop Corp. in which Lockheed was mentioned as a model for Northrop's operations abroad?

Mr. FINDLEY. I believe that that's the facts. We read of these proceedings and certain allegations were made by people involved in that investigation, and decided to proceed and determine if there was any basis for it.

Mr. LEVINSON. Did you determine that between 1972 and 1974 a de facto policy had evolved as to the criteria for selection of marketing consultants?

Mr. FINDLEY. That is the characterization that we have applied to what we believe the policy to be.

Mr. LEVINSON. Would you state the portions of the de facto policy which are germane to this inquiry?

Mr. FINDLEY. Those appear in this material.

Mr. LEVINSON. Perhaps I might best read them because I don't believe that that particular document has been given to the press. That all payments are made——

Senator CHURCH. I think it will be necessary to take a very short recess until Senator Pearson returns. I have the warning bell on this vote, so until the Senator returns, we will stand in a short recess.

[A brief recess was taken]

Senator PEARSON [presiding]. Let the committee come to order, please.

I am sure you understand these interruptions. Sometimes I don't understand them myself.

Mr. Levinson, would you continue with the questioning?

SUMMARY OF DEVELOPMENT ASPECTS

Mr. LEVINSON. Let me summarize the relevant aspects of the de facto policy. All payments are made in accordance with the agreements and are duly recorded in the books of Lockheed; that no employee or official of any foreign government or any director, officer, or employee of a customer is a party to any of the agreements; that no director, officer, agent or managerial employee of Lockheed has knowledge of the disposition of the payments made to the consultants.

THE PROXY STATEMENT AND LOCKHEED'S ANNUAL MEETING

Now, in 1975, in June or thereabouts, were you asked to sign off on a proxy statement to be distributed in connection with the Lockheed annual meeting?

Mr. FINDLEY. Yes, sir.

Mr. LEVINSON. Did you at that time decide to request written representations from appropriate officers of Lockheed that to the best of their knowledge and belief the de facto policies which I have just read were being adhered to?

Mr. FINDLEY. Yes, sir.

Mr. LEVINSON. Had you ever previously requested such letters?

Mr. FINDLEY. Not with the specificity contained in those letters, no. We, of course, obtained general representations annually in the light of what we believed the policy of the company was. It was my judgment that the general representations were adequate under the circumstances.

Mr. LEVINSON. And the general representations were made to you by which officers of management?

Mr. FINDLEY. Oh, there were a variety, a long list of officers.

Mr. LEVINSON. Well, without naming them all, is it possible——

Mr. FINDLEY. Principal executive and financial officers of the corporation.

RESULTS OF NORTHPROP HEARINGS

Mr. LEVINSON. Now, can you tell us why, since you stated before that you knew about the payments, the large payments, at least since 1972, as I heard you since 1968, why specific representations were not previously requested?

Mr. FINDLEY. Well, because the examination of those transactions gave us no reason to believe that they were not appropriate under the circumstances.

Mr. LEVINSON. So, what occasioned the request for specific representations were the Northrop hearings, which called into question what practices might have been followed by Lockheed?

Mr. FINDLEY. Well, published allegations in various newspapers which suggested that there could be misconduct of some sort.

NOTIFICATION OF LOCKHEED'S OFFICERS

Mr. LEVINSON. On or about June 11, were you advised that certain officers could not sign representation letters?

Mr. FINDLEY. Yes, sir.

Mr. LEVINSON. Yes, and were these officers high officials of the company?

Mr. FINDLEY. Yes, sir.

Mr. LEVINSON. Can you tell us which officers, or at least whether Mr. Haughton, or Mr. Kotchian were among them?

Mr. FINDLEY. Mr. Haughton and Mr. Kotchian were among them, yes, sir.

Mr. LEVINSON. Can you tell us what other officers?

Mr. FINDLEY. It seems to me, Mr. Barrow was in that group.

Mr. LEVINSON. Is Mr. Barrow a vice president of the Lockheed Geneva Subsidiary?

Mr. FINDLEY. No; he's a corporate officer. His present title is Vice President of International Finance, Lockheed Aircraft Corp.

THE AUDIT COMMITTEE MEETING OF JUNE 23

Mr. LEVINSON. With the audit committee meeting of June 23, did you advise the audit committee that all payments to marketing consultants had been accounted for within the accountability system of Lockheed?

Mr. FINDLEY. Yes, sir.

Mr. LEVINSON. Yes. Did you subsequently learn that that was not the case?

Mr. FINDLEY. Yes, sir.

Mr. LEVINSON. How did you learn that that was not the case?

Mr. FINDLEY. I recall that this matter was brought to my attention in the meeting shortly thereafter.

Mr. LEVINSON. A meeting with whom?

Mr. FINDLEY. With Mr. Haughton. He was there with Mr. Kotchian and with Mr. Anderson, senior vice president of finance, and, I believe, Mr. Marolino, the vice president and controller of the corporation was present, and also Mr. John Cavanaugh, vice president and general counsel.

Mr. LEVINSON. Mr. Cavanaugh is general counsel of the corporation?

Mr. FINDLEY. Yes, sir.

THE "OFF-THE-BOOKS" ACCOUNT

Mr. LEVINSON. Did you learn that the corporation had maintained what is called an "off-the-books account"?

Mr. FINDLEY. The expression "off-the-books account."—I don't believe that expression originated at that meeting, but we learned that a fund was maintained which we viewed as being outside the accountability system of Lockheed.

Mr. LEVINSON. Yes. Now, where was this fund located?

Mr. FINDLEY. In Switzerland.

Mr. LEVINSON. And who within Lockheed authorized it to be established?

Mr. FINDLEY. The initial transaction which check request which resulted in funds being placed in accounts was, I believe and do recall, authorized or initiated by Mr. Wilder.

Mr. LEVINSON. And who was Mr. Wilder?

Mr. FINDLEY. Mr. Wilder, at that time, this was 1968,—and, again, this is my recollection—he was an officer of the Lockheed California company.

Mr. LEVINSON. Now, would you describe for us how this account was administered? Who had responsibility for maintaining the account, and how disbursements were authorized?

Mr. FINDLEY. The funds were—I had been told this.

Mr. LEVINSON. Yes.

THE ROLE OF COUDERT FRERES

Mr. FINDLEY. Funds were placed in either a trust account or a special bank account maintained by a Paris, France law firm, and payments were made—

Mr. LEVINSON. What was the name of the law firm?

Mr. FINDLEY. I was told the name of the firm is Coudert Freres.

Mr. LEVINSON. Yes.

Would you go on, please?

Mr. FINDLEY. OK.

From time to time expenditures were made out of that fund, upon instructions of corporate officers.

Mr. LEVINSON. Yes.

Now who are the corporate officers who had authority to authorize disbursement from the fund?

Mr. FINDLEY. I have no direct knowledge of that, sir.

Mr. LEVINSON. Were you told which corporate officers held authority to authorize disbursement?

Mr. FINDLEY. I cannot recall.

Mr. LEVINSON. Now, in 1968 and 1970, were checks in the amount of \$250,000 and \$75,000 respectively paid to a so-called marketing consultant?

Mr. FINDLEY. Yes, sir.

Mr. LEVINSON. In connection with this fund?

Mr. FINDLEY. Yes, sir.

Mr. LEVINSON. Would you describe how that transaction occurred and what was its nature? Who was the marketing consultant?

Mr. FINDLEY. It is a name I have difficulty pronouncing.

Mr. LEVINSON. Pierre Scyclonough.

Mr. FINDLEY. That is the name I recall.

Mr. LEVINSON. And we will provide the correct spelling: S-C-Y-C-L-O-N-O-U-G-H. Correct?

Mr. FINDLEY. That appears correct.

Mr. LEVINSON. Did the Lockheed employees who were authorized to permit disbursements from this fund include Mr. Kotchian and Mr. Wilder?

Mr. FINDLEY. I do not think I have sufficient knowledge of that to really answer that question.

Mr. LEVINSON. Were you told that they had authorized the disbursements?

Mr. FINDLEY. I wish I could recall but I do not believe I can.

DEPOSITS IN THE COUDERT BROS. ACCOUNT

Mr. LEVINSON. We will follow that with Mr. Kotchian.

Now when were the funds first deposited in this account? 1968? 1970?

Mr. FINDLEY. I believe so, yes, sir.

Mr. LEVINSON. Was the total amount of these deposits \$325,000 approximately?

Mr. FINDLEY. Yes, sir.

Mr. LEVINSON. Yes.

Now how much was disbursed from this initial \$325,000?

Mr. FINDLEY. There were several payments and I do not have the information with me as to the exact dates. It seems to me that there was a \$100,000 payment at one time or another; a \$10,000 payment; and an \$25,000 payment.

Mr. LEVINSON. Yes.

PURPOSE OF PAYMENTS

And what was the purpose of these payments?

Mr. FINDLEY. The information I have is that they were in connection with marketing efforts in Europe; and well, I have examined the check requests—marketing efforts in Europe, the Middle East and Asia.

Mr. LEVINSON. And did some of these payments relate to a marketing effort in which a competitor was McDonnell-Douglas Corp.?

Mr. FINDLEY. I have been told that, yes, sir.

Mr. LEVINSON. Yes.

And did these involve consortia of European airlines?

Mr. FINDLEY. I have been told that, yes.

Mr. LEVINSON. Including SAS, Swiss Air?

THE CONSORTIA

Mr. FINDLEY. Well, there were two consortia; there was the so-called Atlas consortium, and the KSS consortium.

Mr. LEVINSON. And who were members of the Atlas consortium and who were members of the other consortium?

Mr. FINDLEY. It seems to me Atlas includes Air France, Lufthansa, and several others. The KSS would be KLM, Swiss Air, SAS.

Mr. LEVINSON. And was the purpose of this fund to collect intelligence information as to the intentions of the various consortia as to which plane they were going to get.

Mr. FINDLEY. Well, the best answer I have for that was it was to aid their marketing effort; and that might have been one of the purposes.

Mr. LEVINSON. Yes.

Now what does that mean—aid marketing effort? Does that mean specifically—were you told that officials of these airlines were paid sums for information?

Mr. FINDLEY. I have been told that some payments were made to some people in airlines. The identity of the specific airline I am unsure, or any airline, I am unsure. Well, I think that answers it.

[Subsequent to the hearing the following information was received:]

SCANDINAVIAN AIRLINES SYSTEM,
DENMARK, NORWAY, SWEDEN,
Stockholm Bromma, Sweden, March 19, 1976.

To the Subcommittee on Multinational Corporations of the Committee on Foreign Relations of the United States Senate: Scandinavian Airlines System Denmark-Norway-Sweden ("SAS") has noted that in the proceedings of this Subcommittee particularly those of Wednesday, February 4, 1976 and Friday, February 6, 1976, references were made to SAS and to the "KSS" and "KSSU" groups of which SAS is a member, which references are subject to possible interpretation that officials of SAS might have received improper payments from Lockheed Aircraft Corporation ("Lockheed") in connection with Lockheed's sales efforts on behalf of its L-1011 aircraft. This ambiguity was promptly called to the attention of Jerome I. Levinson, Esq., counsel for your Subcommittee, who replied by letter, dated February 13, 1976, that:

... the reference to SAS and several other European airlines at the opening of last Wednesday's hearing by the Subcommittee on Multinational Corporations was in the context of identifying members of the two airline consortia, Atlas and KSSU, for whose business the Lockheed Corporation was competing. It was not meant to imply that officials of SAS or the other companies mentioned had received improper payments from Lockheed.

I trust that this will clear up any confusion that may have arisen in this matter...

Nonetheless, to assure itself as to the circumstances of Lockheed's sales efforts in respect of SAS, the Board of Directors of SAS has investigated these matters and is now fully satisfied that no official of SAS received or solicited from Lockheed, or was offered by Lockheed, any compensation or other consideration in connection with Lockheed's sales efforts.

The KSS and KSSU arrangements are not consortia as was testified. They are agreements among the member carriers to provide technical and other cooperation with a principal objective of standardizing their aircraft and other equipment and, by coordinating their purchases, to effect economies in equipment procurement and permit the operation of joint maintenance, overhaul and other facilities. Neither KSS nor KSSU acts directly as a buyer. Each airline purchases its own aircraft and other equipment after coordinated negotiations. Lockheed offered its L-1011 wide-bodied aircraft to SAS and the other members of the KSSU group. Concurrently, McDonnell Douglas offered its DC-10 wide-bodied aircraft. The KSSU members conducted parallel negotiations with both manufacturers in sharp competition. After thorough evaluation covering technical quality, performance, price and financial conditions SAS and each of the other members of the KSSU group found the McDonnell Douglas DC-10 to be the most suitable aircraft for their respective purchases. These were made under separate contracts. No KSSU member ordered the Lockheed L-1011 aircraft. At the direction of its Board of Directors, the management of SAS has interrogated every official of SAS who, directly or indirectly, was concerned with these negotiations and has received assurances to its satisfaction from each such person that no improper payments were received or solicited from, or offered by, Lockheed.

Mr. Knut Hagrup, President of SAS, has also received from Mr. Robert F. Conley, then the Lockheed official primarily responsible for the L-1011 sales program in respect of SAS and the other KSSU members a letter, dated February 27, 1976, in which he stated:

As you know I was primarily responsible for directing Lockheed's L-1011 sales program for Scandinavian (sic) Airlines System and I believe that I was familiar with every aspect of our sales activities.

I am sure you know your Scandinavian (sic) Airlines System people too well to have any doubts about their honesty or dedication. However, in view of statements made by Senator Church and others in hearings before the U.S. Senate Subcommittee he heads, which might have been construed to imply that Scandinavian (sic) Airlines System employees might have received payments from Lockheed, I wanted to give you my personal assurance that such was not the case, nor, in fact, were any overtures in that vein made either by Lockheed or Scandinavian (sic) Airlines System employees . . .

It is therefore obvious that there can be nothing before the Subcommittee which permits any assertion of improper conduct by SAS or any SAS official in the handling of the negotiations with Lockheed. SAS is proud of its record for integrity and the adherence by its staff to the highest traditions of business and ethical conduct and accordingly submits this statement for inclusion in the record of your proceedings to dispel any erroneous impression which may have arisen.

Copies of Mr. Levinson's and Mr. Conley's letters are annexed.

Respectfully submitted,

SCANDINAVIAN AIRLINES SYSTEM
By CURT NICOLIN,
Chairman of the Board.

JOHN SPARKMAN, ALA., CHAIRMAN
 MIKE MANFIELD, MONT.
 FRANK CHURCH, IDAHO
 STUART SYMINGTON, MO.
 CLAUDE PEEL, R.I.
 GALE W. MC GEE, WYO.
 GEORGE MC GOVERN, S. DAK.
 ROBERT M. MATHIAS, MINN.
 DICK CLARK, IOWA
 JOSEPH R. BIDEN, JR., DEL.

CLIFFORD P. CASE, N.J.
 JACOB K. JAVITS, N.Y.
 MUSH SCOTT, PA.
 JAMES S. PEARSON, KANS.
 CHARLES H. PERCY, ILL.
 ROBERT P. GRUFFIN, MICH.

PAT M. HOLY, CHIEF OF STAFF
 ARTHUR M. KUNE, CHIEF CLERK

United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, D.C. 20510

February 13, 1976

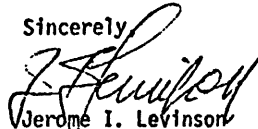
Mr. Robert R. Gray
 Hale, Russell, Gray,
 Seaman & Birkett
 1001 Connecticut Avenue, N.W.
 Washington, D.C. 20036

Dear Mr. Gray:

I am writing to confirm your telephone conversation with Karin Lissakers on February 11, 1976. As Ms. Lissakers explained to you, the reference to SAS and several other European airlines at the opening of last Wednesday's hearing by the Subcommittee on Multinational Corporations was in the context of identifying members of the two airline consortia, Atlas and KSSU, for whose business the Lockheed Corporation was competing. It was not meant to imply that officials of SAS or the other companies mentioned had received improper payments from Lockheed.

I trust that this will clear up any confusion that may have arisen in this matter.

Sincerely,



Jerome I. Levinson
 Counsel, Subcommittee on
 Multinational Corporations

Lockheed Aircraft (Mid-East) S.A.
P. O. Box 11-8560
Beirut, Lebanon

February 27, 1976

Mr. Knut Hagrup, President
Scandinavian Airlines System
S-161 87 Bromma-Stockholm
Sweden

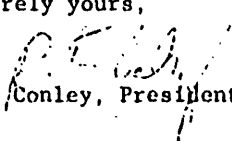
Dear Knut:

As you know I was primarily responsible for directing Lockheed's L-1011 sales program for Scandinavian Airlines System and I believe that I was familiar with every aspect of our sales activities.

I am sure you know your Scandinavian Airlines System people too well to have any doubts about their honesty or dedication. However, in view of statements made by Senator Church and others in hearings before the U.S. Senate Subcommittee he heads, which might have been construed to imply that Scandinavian Airlines System employees might have received payments from Lockheed, I wanted to give you my personal assurance that such was not the case, nor, in fact, were any overtures in that vein made either by Lockheed or Scandinavian Airlines System employees.

With kindest personal regards.

Sincerely yours,


R. F. Conley, President

STATEMENT OF SWISSAIR FOR INCLUSION IN THE RECORD

Swissair respectfully requests that the following comments be included in the record of this proceeding in order to clearly answer any implication that Swissair officials are included among those to whom questionable payments have been made by Lockheed. At several points in the hearing transcript reference is made to European consortia, including the KSSU group of which Swissair is a member. These references are ambiguous and could be construed to imply that Swissair officials received questionable payments, although a careful scrutiny of the public hearing transcript and documents shows that any such implication would be totally unsupported. Swissair does not believe the implication was intended; moreover, Swissair emphatically denies any acceptance of improper payments or other wrongdoing by Swissair officials.

On February 11, 1976, the President of Lockheed Aircraft Mid-East SA, Mr. Conley, wrote to the President of Swissair, Mr. Baltensweiler, a letter in which he said:

"As you know, I was primarily responsible for directing Lockheed's L-1011 sales program for Swissair and I believe that I was familiar with every aspect of our sales activities. I am sure that you know your Swissair people too well to have any serious doubts about their honesty or dedication. However, in view of statements made by Senator Church in hearings before the U.S. Senate Subcommittee he heads, implying that Swissair employees might have received payments from Lockheed, I wanted to give you my personal assurance that such was not the case, nor, in fact, were any overtures in that vein made either by Lockheed or Swissair employees."

Swissair therefore makes this submission to eliminate any doubts which might otherwise be left on the record.

Mr. LEVINSON. Why was this fund kept off the books when other payments to marketing consultants were accounted for on the books?

Mr. FINDLEY. The answer to that is, at present, unclear to me.

Mr. LEVINSON. What explanation was given to you and by whom was it given?

Mr. FINDLEY. The explanation that I received—and I have had interviews on this subject with a variety of the corporate officers—but the explanation I received was a desire to insulate the recipients as best as possible from the company.

Mr. LEVINSON. You mean the recipients of the airlines who were receiving funds?

Mr. FINDLEY. Whoever the recipients that received payments might be.

Mr. LEVINSON. So in other words this was a fund that was set up to screen payments to officials who did not want it known that they were receiving such payments? Is that correct?

Mr. FINDLEY. Well, that is the explanation that I have received so far.

Mr. LEVINSON. And who gave you that explanation?

Mr. FINDLEY. I have had a series of interviews with corporate officers on this matter. I would hesitate to identify any particular one.

Mr. LEVINSON. Well, among your notes is a note which says that Mr. Kotchian advised you that he was not at liberty to describe the uses to which this fund was put. Did he subsequently advise you as to the use of the fund?

Mr. FINDLEY. That is possible. I do not know if I gleaned this information from Mr. Kotchian or others.

DISBURSEMENTS FROM THE FUND

Mr. LEVINSON. Now was this fund ultimately converted to currency and deposited in a safe deposit box with additional deposits made?

Mr. FINDLEY. Yes, sir.

Mr. LEVINSON. And was a total of approximately \$590,000 available by May of 1973 for disbursement from this fund?

Mr. FINDLEY. That is the number I recall. Yes, sir.

Mr. LEVINSON. Now were there subsequent disbursements from this fund?

Mr. FINDLEY. It seems to me there were several disbursements made from this fund to a consultant in the Far East for its services to the corporation.

JAPANESE SALES

Mr. LEVINSON. And do you know what the purpose of the disbursement to that consultant was? Was that in connection with sales in Japan?

Mr. FINDLEY. In a general sense, yes.

Mr. LEVINSON. What do you mean in a general sense?

Mr. FINDLEY. This consultant in Japan was a consultant of the corporation. It was incidental to the marketing efforts in Japan. But I do not believe we could say that this consultant was directly involved in the marketing effort.

Mr. LEVINSON. Well, perhaps we will get to the direct marketing efforts in Japan in a moment.

Senator PEARSON. Let me interrupt you.

SOURCE OF FUNDS IN PARIS LAW FIRM

Mr. Findley, what is the source of these funds in the account managed and controlled by the Paris law firm? Where did the money come from?

Mr. FINDLEY. It came from either the corporate offices or the Lockheed California Co.

Senator PEARSON. These were corporate funds?

Mr. FINDLEY. Corporate funds, yes, sir.

Senator PEARSON. How were they shown on the corporation books?

Mr. FINDLEY. They were shown as a payment to a marketing consultant and shown as a prepaid marketing expense.

Senator PEARSON. And as an expense in a—

Mr. FINDLEY. A prepaid marketing expense, which is not charged to operations, but is carried in the balanced sheet as a deferred charge or prepaid expense.

Senator PEARSON. And a deductible item as a corporate business expense?

Mr. FINDLEY. Well, generally it would not be deducted until it was charged to operations and it would be deducted as an expense.

Senator PEARSON. But all of the funds were corporate funds that went into account, that were used for these payments.

Mr. FINDLEY. Yes, sir.

Senator PEARSON. OK.

Mr. LEVINSON. Now can you state that you have a complete and documented accounting for all of the cash that went through this fund?

Mr. FINDLEY. I have an accounting of all the cash that went through this fund. I would like to consider whether or not that documentation is as complete as it might be.

WHAT HAPPENED TO THE CASH IN THE ACCOUNT?

Mr. LEVINSON. You stated in your report with respect to this fund that after making these payments and providing for minor bank changes, approximately \$485,000 remained in the safety deposit box and it was removed last week and deposited in a company checking account. Now this is going back to June and July of 1975.

How can you be sure that cash from this fund was not brought back to the United States and used for domestic political purposes or any other purposes here in the United States if there is no accounting—if there is no accountability of the fund within the books of Lockheed?

Mr. FINDLEY. You have described the problem well. The attendant circumstances involved in this situation do indeed coincide with the explanations given. There are receipts available which I have not examined, obtained from the recipients; the funds—well, the remainder of the funds were indeed transferred to one of the corporation's bank accounts. We know that with certainty. And those funds were there when the safety deposit box was closed.

One of my representatives accompanied the company official and observed the counting of the funds.

Mr. LEVINSON. But in effect you cannot state definitively that you know to the dollar the disposition of the funds which passed through this trust account during the time that it was maintained?

ARTHUR YOUNG'S FINAL REPORT

Mr. FINDLEY. The ultimate verification of those disbursements is yet to be accomplished, yes, sir.

Mr. LEVINSON. And when will it be accomplished? Do you have a time table in which you will report to the corporation with respect to your conclusions as to what you can and cannot conclude? Or is this to remain a perpetually open account?

Mr. FINDLEY. No. That is not going to be a perpetually open item. My understanding of the situation is this: After we had reported to the board of directors all the problems that we had identified, all these matters were brought to the attention of the Securities and Exchange Commission; it is customary in such circumstances. And we expect this to take place—that a more comprehensive investigation will have to be accomplished with the approval of the Securities and Exchange Commission.

That arrangement—the arrangement for that examination has not been concluded, and before we establish the scope of that comprehensive overall investigation, we want to have the views of the directors that will be involved. And we will probably require and they will probably require views of their own special counsel. So before we proceed and do one thing and then come back and replot the same ground, we are deferring that examination until all the parties can conclude as to what the scope of the examination can be, because my purpose is one. The board of directors are another. And their counsel may advise them—will advise them—with respect to that.

Mr. LEVINSON. Mr. Chairman?

Senator CHURCH [presiding]. May I just ask one question? Will there definitely be a final report?

Mr. FINDLEY. I'm confident that there will be. Yes, sir.

Senator PERCY. Mr. Chairman?

Senator CHURCH. Senator Percy?

Senator PERCY. Mr. Chairman, I am sorry that I was not here at the opening of the hearing. We are having Vice President Rockefeller testify before the Government Operations Committee, on which I am ranking Republican, so I must get back to him.

STATEMENT OF SENATOR PERCY

I would like permission of the Chair to read a short opening statement, so as to put in framework for our future witnesses the attitude that I have developed as to what—as one Senator on the subcommittee—I would like to see done and then a few questions of Mr. Findley; if that would be all right?

Senator CHURCH. That is fine.

Senator PERCY. I have expressed at earlier hearings, Mr. Chairman, my opinions on the damage that bribery and corruption vent on the free enterprise system, my desire to open corporate practices to more public disclosure and my willingness to join in drafting appropriate legislation on the issue of corrupt business practices. Despite my firm conviction that the practices exposed in these hearings are followed by a small minority of firms doing international business, I believe they so seriously erode the public faith in the business community that they must be eradicated. However, I strongly believe that to be effective any actions taken must be multinational, multilateral in nature.

I have discussed this with and urged on both Secretaries William Simon and Henry Kissinger the necessity to bring this issue into international forums, especially the OECD. I would like to insert into the record two letters, one from Secretary Simon and the other from Assistant Secretary Thomas Enders, detailing the progress made in the OECD by the U.S. delegation. I note that this progress has not been made with ease. I find of interest the following quote from a State Department cable reporting the first U.S. initiative in the OECD's Committee on Investment and Multinational Enterprises, "There had been virtually no support from other members of the committee on the grounds that an anti-bribery provision was demeaning to multinational enterprises, and some felt it would even be ridiculous." Hardly ridiculous in the light of the testimony that we are having and will be having in the coming days and that we have had already before the subcommittee.

It is to this point that I feel today's hearings have special relevance. Previous hearings of this Subcommittee have dealt with payoffs, bribes and corruption in the less developed world. Many people, including diplomats at the OECD, have scoffed at these practices as being unimportant because they constitute standard business practices in the third world. Today we shall see that those "standard business practices" come quite close to home. In today's hearings we will deal with industrialized nations, with close economic, military and political allies of the United States.

The issue of allies is a second point of relevance in these hearings. It is bad enough that corrupt practices distort foreign purchases in less developed countries and squander foreign exchange that could

be used for economic development purposes. But corrupt practices in arms purchases in allied nations threaten our own national security. An attack on Japan or NATO is an attack on the United States. We cannot have the defense priorities of our allies being perverted by corrupt practices, especially practices perpetrated by American corporations.

I do not believe that governments, legislatures or the people of the OECD countries are willing to tolerate corruption and payoffs as standard business. I urge that the political parties and legislatures of these countries direct their governments to instruct their delegations at the OECD to contribute constructively in the formulation of an international code of conduct that is meaningful. I personally will commit myself to meet with representatives of any duly constituted legislative body to discuss multilateral efforts to establish a multilateral code, a code that will apply both to public and private transactions. I see no reason that we cannot have an OECD-wide commitment on this issue.

Mr. Chairman, I ask unanimous consent that the comments that I made to the Business Council, which constitutes roughly 25 percent of the productive enterprise of this Nation, the leading, the chief executive officers in December on this subject be incorporated in the record at this point.

Senator CHURCH. Very well. It will be incorporated at this point.
[The material referred to follows:]

REMARKS BY SENATOR CHARLES H. PERCY

THE BUSINESS COUNCIL

WASHINGTON, D.C.

DECEMBER 11, 1975

"BRIBERY AND CORRUPTION IN INTERNATIONAL
COMMERCIAL TRANSACTIONS"

On a subject such as bribery and corruption, it is easy to be a preacher. This nation in my opinion gets too much of that from Capitol Hill. Political sermons may sway votes and mobilize public opinion but they seldom produce solutions. This morning I will try to address myself to solutions.

I believe we can develop solutions to the problem of misdeeds in business. In the political arena, we have tackled the problem of corruption. Admittedly it is not perfect. But in response to Watergate, we passed legislation to reform campaign financing. This Presidential election -- with matching funds for at least a dozen candidates -- is being conducted without the influence of big-money contributions.

Bribery and corruption are not a new phenomenon. They compete with the world's oldest known trade for sustained presence in daily commerce. Long before this nation was formed, corrupt business practices had been developed as a fine craft. Certainly business and political corruption is not new to us.

But recent disclosures of corruption by some American corporations abroad have shocked the public. Both the degree of this corruption and the amounts of money expended for questionable purposes are disturbing to millions of Americans.

The practices of some U.S. corporations abroad, as testified to by their own executives, resemble the plots of James Bond thrillers. So-called agents and consultants have funneled money to key government officials abroad to influence decisions on tax policy and arms purchases. Coded telegrams have been sent with numbered agents and vague references. Dummy corporations have been formed in foreign countries to launder the transfer of money from U.S. corporations to foreign governments or private officials. In most cases, the identities of agents, consultants and stockholders of dummy corporations have been kept secret to shield parent corporations.

We all have a great commitment to the free enterprise system. Business is a key institution in our nation. And like all institutions, it must conduct itself in a manner that commands public trust and confidence. The allegations that have been made about corrupt practices of United States corporations abroad have eroded that trust and shaken that confidence.

The question before us this morning is what can be done about it. I would like to divide my comments into two major categories; what American business on its own can do, and what Government might do.

First, should not a standard code of conduct be developed for all major American corporations? The code could be drafted by a blue ribbon committee of American corporate leaders. Adoption of the code could be a prerequisite for membership in major business and trade associations in the United States, just as is done in Bar Associations. Caterpillar Tractor Company and many others have developed comprehensive codes which others are using as a pattern. We have many worthy starting points.

Second, I believe the advisors to American business -- such as lawyers, accountants and bankers -- must live up to the spirit as well as the letter of the law. Once too often the practice has been to chip, chisel and shave the law to reach the lowest common denominator possible. The tendency is to beat down and confine the law rather than to expand and improve it. I suggest that the American Bankers Association, the American Bar Association and accounting trade groups promote programs on professional ethics.

Third, would it not be well for every major corporation to have a high level ethics committee? In a situation where a critical decision or sale may rest on shady practices or extortion by the buyer, personnel ranging from a salesmanager to chief executive officer should have a body within a corporation from whom to seek guidance in making a final decision. In tough moral situations where standards are placed over material reward, there should be positive corporate reinforcement. I would suggest that such a committee include individuals with professional ethical standards such as lawyers and accountants, as well as members of the board of directors from outside the corporation.

Fourth, the American business community should encourage business schools to cover business ethics more fully. I would approach this by looking at the mechanisms of white collar crime. Payoffs and kickbacks constitute white collar crime as much as embezzlement and fraud. Furthermore, I would hope that AMA, et al would conduct seminars on corporate ethics.

Fifth, and perhaps most important, I believe the American business community should promote corporate ethics on an international scale. The International Chamber of Commerce on November 25 voted to form a committee of eminent persons to develop a report on the issue of corporate business ethics. The American membership of this committee should impress upon the new committee the need for an international code of corporate conduct.

Finally, I believe the business community should help frame and then support corporate ethics legislation in Congress. Robert Dorsey of Gulf Oil, in response to a question in a Senate hearing, appealed for legislation dealing with corporate contributions and bribery. He testified that legislation would make it easier to resist pressure by middle men or foreign governments for kickbacks and bribes. I feel that the mood is such on Capitol Hill that legislation for unilateral action by the United States will be offered on this issue. Some of these efforts will be sincerely motivated and well intentioned. Others may not be. However, from past experience I can say that many proposals will have a high administrative cost and inhibit the freedom of legitimate corporate activity without accomplishing their objectives.

It is my personal objective to insure that any legislation passed is responsive and responsible. The best way to achieve this objective is to submit a sound legislative proposal to counter those offered by others. To this end, I asked Treasury Secretary William Simon to have his legal staff draft some options. In response, Bill Simon was very emphatic. He wrote, "Bribery of government officials from whatever source, solicitation of bribes by government officials, and solicitations of illicit political contributions are reprehensible." He has offered me the aid of his staff.

I have also contacted the Council on International Economic Policy at the White House and asked for their input. The CIEP has an Interagency Staff committee on Transnational Enterprises and has done considerable work on this issue. I hope members of the Business Council will provide suggestions for business ethics legislation.

Bill Simon and I also agree that the issue of business ethics must be international in nature. He has spoken to the Secretary General of the OECD, Emile Van Lennep, as well as the Finance Ministers of Germany, France, Canada, Japan and the United Kingdom. Subsequently, through the efforts of Chuck Robinson, the OECD has accepted language on the subject in the draft of the OECD Guidelines for Multinational Corporations.

I cannot overemphasize the importance of the American contribution to the ICC Eminent Persons Committee on the necessity for a multilateral approach to this problem. American business must help convince its European counterparts to accept a code of conduct, and if necessary advocate

to their own governments legislation similar to that which may be passed in the United States.

This must be done because of the international nature of production as well as competition. Two competitors cannot be expected to play in the same game with such different sets of rules. A key point in any United States legislation must be a multilateral acceptance of specific rules of conduct. No code can be unilaterally imposed.

A second key point is the importance of public disclosure. No law can define every unscrupulous and scurrilous business practice. Furthermore, ethics change over time. Acceptable practices in one era become unacceptable in another.

Public disclosure can act as a major governing tool. Justice Brandeis once wrote, "Publicity is justly commended as a remedy for social and industrial diseases." Public opinion is a very effective enforcer.

Letting the sun shine in is, I believe, the best answer. But, it is a simplistic solution if the issues of taxes and specificity are not addressed on an international basis.

On taxes, no one can condone the deduction of bribes and payoffs as "business expenses." We could, therefore, advocate for purposes of taxes a category of non-deductible expenses. This would allow public disclosure without allowing a tax deduction. Furthermore, these expenses could be reported in aggregate by country, with each country mentioned having the right

to subpoena the supporting documents concerning its national jurisdiction. Such provisions could be included in bilateral tax treaties.

Corruption strikes at the foundation of the free enterprise system. This system justifies itself on the basis that the general welfare is best served by private capital ownership competing in open markets. The system is designed to reward excellence and entrepreneurship. No one in this room would attempt to justify this great economic system if the rewards are distributed on nepotism, favoritism and payoffs. Corporate corruption, playing even the minuscule role that it does, is the dryrot of capitalism. It cannot be tolerated.

Corruption withers faith in leadership. Leaders strike a covenant with their constituents, whether they are stockholders or voters. This covenant is a pledge not to use the powers of office or position for the purpose of private gain.

Private and public leaders hold this trust. To violate that trust is to negate corporate and public responsibility. It behooves all of us to protect the free enterprise system against any erosion of this trust.

We are evolving quite rapidly into an economically interdependent world. We have recognized the value of making rules on the governmental level of the IMF and GATT. We are now struggling with the micro rules of how individual production units interact. But the key here is not found in government. It is found in the efforts of international business to develop its own rules of ethics. Finding a proper answer may help determine how the economic system of the free world is not only looked upon by the third world but also by a new, young generation of Americans.

Senator PERCY. We all know though that passing an international code will not eliminate corrupt business practices. It will only set an international norm. It will be up to business itself to effectively police corrupt practices. In this self-policing function it will be the business advisors, accountants, lawyers, and bankers, who must play a major role. They will not only have to advise on illegal practices but also on unethical activities. This will not be an easy task but I do have the faith in the business community that it can be done.

I plan in this hearing to raise the problem of ethical advice with the witness from Arthur Young. I also would like to compliment Arthur Young, Mr. Findley and his counsel, Mr. Fales, for the cooperative attitude they have displayed throughout the efforts to develop this hearing. They have handled a very difficult situation well by both protecting their client/accountant relationship while fulfilling their legal obligations to this subcommittee. They have the subcommittee's gratitude.

[The letters of Secretaries Simon and Enders follow:]

THE SECRETARY OF THE TREASURY,
Washington, December 11, 1975.

Hon. CHARLES H. PERCY,
U.S. Senate,
Washington, D.C.

DEAR CHUCK: I note that the Congressional Record for November 12 carries some of your thoughts on the subject of bribery in international business dealings. I would like to express my agreement with the constructive appreciation for your recognition of my own efforts in the same direction.

I thought this a good time to reiterate my strong feeling that firm action must be taken against bribery and illicit political contributions in international business. This can best be accomplished through such organizations as the OECD, the UN, private business groups, and other organizations which are prepared to deal with international business affairs in a broad context. With this in mind, I thought it appropriate to recount for you the steps we have taken since my correspondence with you in October.

At a meeting of the OECD Committee on International Investment and Multinational Enterprises which was held November 19 and 20, the U.S. delegation pushed hard for inclusion of a straightforward and clear anti-bribery provision in the draft Guideline for Multinational Enterprises. We are gratified that both the OECD's Business and Industry Advisory Committee and its Trade Union Advisory Committee, composed of industry and labor representatives from member countries, supported much stronger language than some other OECD member delegations previously had been willing to accept. The statement which eventually was adopted, subject to approval by member governments, was as follows:

"Enterprises should not render—and they should not be solicited or expected to render—any bribe or other improper consideration, directly or indirectly, for the benefit of any public servant."

In response to a U.S. suggestion, the Investment Committee also agreed to include in the Guidelines a separate statement proscribing improper or illegal political activities and contributions. That statement reads as follows:

"Enterprises should, within the framework of the laws and regulations of the host country, (i) not make contributions to candidates for public office or to political parties or other political organizations except as authorized by law; and, (ii) abstain from any improper involvement in local political activities."

Furthermore, the head of the U.S. delegation indicated to the Committee that the United States Government will propose a separate and more comprehensive OECD investigation of ways to deal directly with the bribery problem. A Committee of the Council on International Economic Policy is starting to develop specific United States suggestions for this purpose.

Finally, various agencies of the Executive Branch with responsibilities affecting international business are considering what additional steps they can take within their present authority to come to grips with this problem.

I might add that I heartily agree with your efforts to persuade private business associations that it is in their members' interests to become much more active in curing these abuses.

I look forward to continued cooperation with you in this area.

With best regards,

Sincerely yours,

WILLIAM E. SIMON.

DEPARTMENT OF STATE,
Washington, D.C., January 2, 1976.

HON. CHARLES H. PERCY,
Committee on Foreign Relations, U.S. Senate,
Washington, D.C.

DEAR SENATOR PERCY: As you are aware, one part of our strategy for dealing with the problem of bribery and corrupt practices involving multinational and other enterprises as well as government officials and other individuals has been to seek inclusion of language condemning such practices in the Guidelines for Multinational Enterprises presently being drafted in the OECD. In view of your interest in this matter, I thought you would want to know that we have now obtained the tentative agreement of the other participants in this exercise to include the following statement in the guidelines:

Enterprises should: not render—and they should not be solicited or expected to render—any bribe or other improper benefit, direct or indirect, to any public servant or holder of public office; not make contributions to candidates for public office or to political parties or other political organizations except as permitted by law; abstain from any improper involvement in local political activities.

We of course do not regard an OECD statement of this kind as a solution to the problem of corrupt practices. But it will serve as a useful starting point for our further efforts to achieve multilateral agreement on appropriate and equitable measures to bring this problem under control. We find it especially constructive in several respects: it preserves balance on the question of the instigation of corrupt practices by referring to the solicitation as well as to the rendering of bribes; it is backed up by a statement in the introduction to the Guidelines which upholds the principle of non-discrimination between multinational and national enterprises (the introductory statement under consideration reads as follows:

The guidelines are not aimed at introducing differences of treatment between multinational and domestic enterprises; whenever relevant they reflect good practice for all enterprises. Accordingly, governments should entertain the same expectations of multinational and domestic enterprises wherever the guidelines are relevant to both).

It draws the necessary distinction between bribery—which is by definition illegal—and political activities of various kinds—which may or may not be illegal depending upon the laws of particular countries.

Sincerely,

THOMAS O. ENDERS,
Assistant Secretary for Economic and Business Affairs.

THE ADVICE OF ARTHUR YOUNG COMPANY

Senator PERCY. My few questions, Mr. Chairman, if the committee would permit me to put them forth now, involve the question overall of what Arthur Young, as an independent public accounting firm, is one of the leading ones in the country, what kind of advice can you give or do you as a normal business practice give with respect to a client on the matter of business ethics?

Would it be looked upon as over-moralizing and going into the field of ministry almost, rather than of public accounting, if you advise a client with respect to ethics? What is the normal business practice in the public accounting field?

Mr. FINDLEY. Well, historically I do not believe that we've ever considered ourselves as the guardian of a corporation's morals. What we really believe our obligations are—and this is difficult to generalize

because one act may or may not be viewed as moral or immoral dependent upon the observer. That is, if we are troubled by the conduct of the business, we believe that our obligation is to bring that to the attention of that corporation's board of directors because we believe that they are the guardians and have the responsibility for the corporation's morals.

And we want to be sure that they are fully aware of an improper situation and an improper situation in a general sense is a very difficult phrase to define. Anyway, going from there, as accountants and auditors, we are concerned whether a corporation's conduct could either result in a material contingent liability, or imperil its assets—the realizability of its assets—if that is the case, then it becomes an acute audit problem and might require some kind of disclosure in the financial statement.

Senator PERCY. If you found a corporation engaging in unethical accounting practices that were misleading to the public, you would certainly footnote this in your statement in the annual report, would you not?

Mr. FINDLEY. Well, if we thought that the accounting practices employed by a client were not in the category of generally accepted accounting practices and that they in fact resulted in misleading financial statements, we would require that they be changed before we would be associated with them. Yes, sir.

Senator PERCY. I see.

And if you discovered that they had secret bank accounts in Switzerland, that they were using law firms abroad to make payments that were not payments for legal services, but were actually payments for bribes, is there any way that public auditors and accountants would handle that matter other than just bringing it to the attention of the board? What if the board refused to do anything about it? What is the responsibility of the accounting profession?

The reason I ask this is that legislation should be the last way we go. If it is possible to do things and certainly the medical profession—if we tried to legislate everything, we depend upon a code of ethics of doctors to have them adhere to many standards that we do not try to legislate at all and have never felt it necessary.

But I want to be sure that we know what the profession can do; that we may not have to legislate in.

Mr. FINDLEY. My personal view is that the situation as described, one, is a material fact, even if the amounts involved are not material. If that material fact is present, then the accountants, it appears to me, have a problem and have to answer the question themselves as to whether they wish to be associated with those financial statements.

THE ROLE OF THE ACCOUNTING PROFESSION

Senator PERCY. Do you feel that the accounting profession itself—now that so much of this has surfaced—can do more on its own to help stamp out these kinds of practices which might then make legislation less necessary; or do you simply feel it is better for us to just legislate to the extent that we can to end these practices to the best extent we can?

Mr. FINDLEY. The problem that I see in that regard—as an observer, it seems to me that there is a real debate within responsible members of the business community, and, indeed among certain agencies of the U.S. Government, as to what is proper and improper. It would be of great benefit to accountants if guidelines were developed, either by the Securities and Exchange Commission, or through legislation, to resolve that debate. Once that debate is resolved, in whatever manner, I am confident that the accounting profession will step up to it and fulfill its obligation.

Senator PERCY. Just a couple of questions on the specifics of this, of the Lockheed case.

Did you inquire as public accountants as to the legality of the arrangements that were made under the laws of the countries in which the sales were made?

Mr. FINDLEY. Yes, sir. We have made those inquiries.

Senator PERCY. Is the legality of payment outside the scope of your concern then, or within the scope of your concern?

Mr. FINDLEY. The legality of any act is within the scope of the examining accountant. The examining accountant does not concern himself with every violation of law. For example, it's my understanding that in one of several states—the speed limit is so low that the trucking operators customarily break the speed limit.

Mr. LEVINSON. Excuse me, Senator.

Mr. Findley, you were told that in your files there was a document which indicates that agreement with the German consultant was illegal under German law; and that the document which is included in the package that is there states that it should be distributed; that distribution should be held closely.

Now Senator Percy has asked you whether it is of concern. Now when you see a document like that, following Senator Percy, what do you do? Do you just ignore it?

Mr. FINDLEY. No, you don't ignore it. You find out what the significance of that document is with respect to the company's financial statements.

Senator PERCY. Mr. Chairman, I want to thank you very much indeed. I will be back just as soon as the Vice President's statement is finished.

Senator CHURCH. In the interest of public disclosure, if you would get back as quickly as you can, I have to go to Rules to make a presentation on the resolutions of the three committees that I chair, so I would appreciate it.

Senator Percy. I am sympathetic with that. I will try very, very hard.

Senator CHURCH. Very well.

Now, let's proceed with Mr. Levinson.

THE OFF-THE-BOOKS ACCOUNT AND JAPANESE SALES

Mr. LEVINSON. Well, now, Mr. Findley, let's pass to this. You made reference to this off-the-books account in shorthand, to the effect that a sum of money was paid, with reference to Japanese sales, and you alluded to the fact that it was not directly concerned with Japanese sales, so let's move to the Japanese case. Now, Lockheed did have agents in Japan. Is that correct?

Mr. FINDLEY. Yes, sir.

Mr. LEVINSON. Did Lockheed have three agents in Japan?

Mr. FINDLEY. Yes, sir.

Mr. LEVINSON. Was one of the agents the Marubeni Trading Co.?

Mr. FINDLEY. Yes, sir.

THE ROLE OF MARUBENI CORPORATION

Mr. LEVINSON. Now, was the fact that Marubeni was a Lockheed agent generally known in Japan? Was it an open relationship?

Mr. FINDLEY. I'm confident that it's well known.

Mr. LEVINSON. In your testimony on Monday, you characterized the activities that Marubeni carried out for Japan as above-board and conventional and nothing untoward about it, is that correct?

Mr. FINDLEY. By and large, I believe that's correct. I have been considering that question—that question since we had our meeting on Monday. I think that that is the correct answer. To what extent they were aware of, or peripherally involved with the other parties, is not yet clear.

THE I-D CORPORATION

Mr. Levinson. Well, let's move to the other parties and identify them and get some idea what they are. Now, there was another Lockheed agent, called the I-D Corporation, correct?

Mr. FINDLEY. Yes, sir.

Mr. LEVINSON. All right. Will you tell us what the I-D Corporation was and what services it performed in connection with Lockheed sales efforts in Japan?

Mr. FINDLEY. The I-D Corporation was not directly involved in the direct—this is my understanding—the direct sales effort. They had the role of providing receipts for disbursements made by the company in the Far East.

Mr. LEVINSON. When you say, providing receipts, does that mean that it was a dummy corporation, whose function was simply to be a vehicle through which receipts for expenditures for various purposes could be made?

Mr. FINDLEY. I'm not sure I would characterize it as a dummy corporation. I have no reason to believe that it's a dummy corporation. But my understanding of their function was to provide receipts for expenditures that Lockheed representatives would make in the Far East.

Mr. LEVINSON. Did these expenditures include creating a favorable climate in Japan for the purchase of Lockheed products?

Mr. FINDLEY. I have been told that; yes, sir.

Mr. LEVINSON. Did that include subsidies from newspapers and other journals—payments—let's not use subsidies—payments, or the writing of articles which were not identified as financed by Lockheed?

Mr. FINDLEY. I've never been told that. I've been told that some of the monies were used for advertising purposes, but I've never been told that.

Mr. LEVINSON. Was the advertisement identified as Lockheed advertising?

Mr. FINDLEY. I'm not aware of whether it was or not.

Mr. LEVINSON. Didn't you testify on Monday that you thought it was not?

Mr. FINDLEY. If I did, I think the more correct answer would be that I'm not sure, that I don't know.

"I RECEIVED 100 PEANUTS"

Mr. LEVINSON. Now, we have a receipt from a Mr. Itoh, in which he says that Mr.—Mr. Hiroshi Itoh—and that was in connection with the I-D Corporation, was it not?

Mr. FINDLEY. Yes, sir.

Mr. LEVINSON. He says, "I received 100 peanuts." Does 100 peanuts mean he received \$100,000 equivalent in yen, or \$100,000, period?

Mr. FINDLEY. Now, I think if I said that, I was in error. I believe that 100 peanuts represents 100 million yen. One-hundred million yen at a 300 to 1 exchange isn't a large sum of money.

Mr. LEVINSON. Now, why, if he received that amount of money, does he have to have a code? Why does he describe it as receiving "100 peanuts"? Why isn't it possible to say 100 million yen?

Mr. FINDLEY. That's a mystery to me. I understand that he——

Mr. LEVINSON. Well, what services did he perform that justified his getting 100 million yen and that couldn't be openly acknowledged as 100 million yen?

PAYMENTS TO OTHERS

Mr. FINDLEY. It's my understanding that those monies were passed on to others.

Mr. LEVINSON. And who were the others? What kind of people were the others?

Mr. FINDLEY. This is an area of continuing investigation, and it may well be the largest area to be further investigated, but I have been told that those payments were made to both government officials and to representatives of customer airlines.

Senator CHURCH. The payments were made both to Japanese government officials and to the representatives of Japanese airlines which were purchasing, or were to purchase, Lockheed aircraft?

Mr. FINDLEY. Yes, sir.

AUTHORIZATION OF PAYMENTS

Mr. LEVINSON. Who authorized those payments for that purpose, within Lockheed?

Mr. FINDLEY. I would have to refer back to the basic agreement with I-D Corporation and the amendments thereto. It seems to me that the signers of that document might very well be the party that basically approved of those transactions. I can't recall, offhand, who signed that.

Mr. LEVINSON. Who was the relevant officer in Lockheed who directed that the payments be made for the purposes you have just described?

Mr. FINDLEY. I can't answer that with certainty.

Mr. LEVINSON. Were you told which officer of Lockheed authorized such payment? Did you inquire?

Mr. FINDLEY. Yes, sir.

Mr. LEVINSON. When you inquired, what answer did you get?

Mr. FINDLEY. My recollection to that is the answer was that Mr. Kotchian is the officer of the corporation, and he was principally involved.

Mr. LEVINSON. When you say "principally involved," do you mean who would have knowledge of the purpose and destination of the funds?

Mr. FINDLEY. Yes, sir.

Mr. LEVINSON. OK.

Senator CHURCH. As far as the books were concerned, did they simply show that these funds have been paid to the I-D Corporation?

Mr. FINDLEY. Yes, sir.

Senator CHURCH. And beyond that, the books do not reveal who may have ultimately received the money?

Mr. FINDLEY. No, sir.

THE I-D CORPORATION

Mr. LEVINSON. Now, to your knowledge, or in any other way that you may have been told, was the I-D Corporation known to be acting for Lockheed in Japan? Was it known in Japan that the I-D Corporation was acting for Lockheed?

Mr. Findley. I can't speak to the question of what was known in Japan. All of the available evidence suggested that I-D was performing customary marketing services.

Senator CHURCH. For the Lockheed Co.?

Mr. FINDLEY. For the Lockheed Aircraft Corp.

Mr. LEVINSON. Did it perform such services for any other American corporation, or was this exclusively a Lockheed relationship?

Mr. FINDLEY. It seems to me that in our inquiries as to I-D, we were told that they represented other corporations, but we never got enough specific information that I would rely on what we had. I hope that answers the question.

Senator CHURCH. That doesn't quite clarify it for me. Did the I-D Corporation represent itself to be an agent of the Lockheed Co. in Japan?

Mr. FINDLEY. Well, there is a marketing agreement between I-D and Lockheed which appears in the Corporation's files, and which we examined.

Senator CHURCH. My question is, to your knowledge, did the I-D Corporation publicly represent itself to be an agent of the Lockheed Co. in Japan?

LOCKHEED'S THIRD AGENT IN JAPAN, MR. KODAMA

Mr. FINDLEY. I have no knowledge of the answer to that.

Mr. LEVINSON. In addition to Marubeni, and the I-D Corporation, did Lockheed have yet a third agent in Japan, Mr. Kodama?

Mr. FINDLEY. Yes, sir.

Mr. LEVINSON. Can you tell us when the initial relationship with Mr. Kodama was established?

Mr. FINDLEY. I have had some indications that that relationship has existed over a great many years. In the matters before us now, the first specific matter of which I am aware occurred in 1968.

Mr. LEVINSON. Yes, but now, the initial relationship dates back to 1958 and 1959, doesn't it? Don't your notes reflect this?

Mr. FINDLEY. My notes reflect that; yes, sir.

Mr. LEVINSON. Your notes are based upon an interview with Mr. Kotchian, isn't that correct?

Mr. FINDLEY. No, I think that those notes—

Mr. LEVINSON. Or Mr. Clutter?

Mr. FINDLEY. I think those notes were made in an interview with Mr. Clutter, and there might have been another gentleman present at the time, a Mr. Elliott.

Mr. LEVINSON. Well, the relationship thus begins with the initial sale to Japan of F-104 fighter planes, doesn't it?

Mr. FINDLEY. I really have no direct knowledge of that.

Mr. LEVINSON. Have you been told that?

Mr. FINDLEY. The example—no, sir, I haven't. The example—well, let me back away from that and answer it this way. The first instance of which I am aware was 1968, and there were payments made then, I believe, and the explanation I received that these were commissions on F-104 spare parts.

Mr. LEVINSON. So, therefore, it's reasonable to infer that he had something to do with the F-104 fighter plane?

Mr. FINDLEY. I think one could draw that inference.

Mr. LEVINSON. Well, we could establish that more directly with Mr. Clutter and Mr. Kotchian, so I won't pursue that with this witness, Mr. Chairman.

Now, perhaps it would be well at this point to identify Mr. Kodama in terms of his background.

PAYMENTS TO MR. KODAMA

Senator CHURCH. First of all, let me ask, what do the records disclose as to how much the Lockheed Co. paid to Mr. Kodama over the years?

Mr. FINDLEY. In that year, 19—

Senator CHURCH. No, over the years, from the time you first encountered payments in your auditing of the Lockheed Company's books?

Mr. FINDLEY. Several millions of dollars.

Senator CHURCH. Several millions, meaning how many? Seven million?

Mr. FINDLEY. I don't think it's quite that high. I think it was between \$4 million and \$5 million.

Mr. LEVINSON. Now, this \$4 million or \$5 million is identified as one transaction, but over time your own records show that it was approximately \$7 million.

Mr. FINDLEY. Was it? If that's what they show, I'm unfamiliar with that analysis at the moment.

Senator CHURCH. In any case, I think the records will speak for themselves. You remember that the amount was between \$4 million and \$5 million; the records appear to disclose that it was nearer \$7 million.

Mr. FINDLEY. To avoid any—to make sure that in all fairness to Arthur Young Co. and to Lockheed, I want to emphasize that many of the worksheets that we find in our files represent preliminary calculations which may, indeed, have been changed before we ultimately

concluded what the true facts of the matter are. We did, indeed, bundle up everything in our possession and send it to you. We rarely destroy those papers, so it could very well be that the analysis to which you refer was an early tentative and, perhaps, an incorrect one.

Senator CHURCH. There is no question that a very substantial amount of money was paid to this man.

Mr. FINDLEY. Yes, sir.

Senator CHURCH. It numbers in the millions of dollars. The amount that was paid to Mr. Kodama numbers in the millions of dollars.

Mr. FINDLEY. Numbers in the millions of dollars? Yes, there is no question.

Senator CHURCH. When you began to learn of these payments, did you inquire about the identity of this man?

Mr. FINDLEY. Yes, sir.

BACKGROUND OF MR. KODAMA

Senator CHURCH. Our biographies of the man show that he was a very questionable character. Let me quote from one source, "Nationalism in the right wing of Japan, a Study of Postwar Trends" by Dr. Ivan I. Morris, which was published by the Oxford University Press in 1960. This is the biographical account. It reads, "Yoshio Kodama, born 1911, Nationalist leader, active in many prewar societies since 1929, when he joined Dr. Uesuegi's National Founding Association. In 1932 he founded the Independent Youth Society, which was reportedly involved in an abortive plot to kill the Prime Minister Admiral Saito. Kodama was arrested on numerous occasions for his obstreperous, ultranationalist activities. Later, however, he was sent to China, where he was attached in a semiofficial capacity to the Imperial Army Headquarters. He organized the Kodama Agency and amassed an immense fortune by his purchasing activities, allegedly by buying looted goods. At the end of the war, he was appointed as an advisor to the Prime Minister, Prince Higashikuni, but shortly thereafter he was tried and sentenced as a class A war criminal. He was in Sagamo Prison from 1945 to 1948. On his release he used his earlier contacts and personal fortune to establish close relationships with various conservative leaders."

Now, was this information concerning Mr. Kodama conveyed to you by the Lockheed Co.?

Mr. FINDLEY. That specific reference that you just read was not provided me by Lockheed.

We did our own research; well, we asked them questions as to the identity of this person.

Senator CHURCH. In your research, did you discover that he had been convicted as a war criminal and had served a sentence in prison from 1945 to 1948?

Mr. FINDLEY. Curiously, the information that we obtained did, indeed, indicate that he had been imprisoned, but it did indicate that, although he had been imprisoned, he had been released, after having been acquitted—

Mr. LEVINSON. His official biography from Japan's biographical encyclopedia, in "Who's Who," page 655, 1958. He was sentenced.

Senator CHURCH. Yes, reading from that official biography, I read the following:

"When he was tried and sentenced as an A Class War Criminal by the International Military Tribunal, he was sentenced; he was released in 1948. Since then he has been connected with financial and political circles."

Mr. FALES. It must have been the shortest sentence on record, Senator, if he was released by 1948. I suspect there may be some genuine confusion in translation from Japanese terms here.

My recollection is that the War Trials—

Senator CHURCH. Our information is that he was in Sugamo Prison from 1945 to 1948.

Mr. FALES. My recollection is those trials didn't begin until considerably along the way, not that it's important.

Senator CHURCH. Without getting into the question of exactly when he went to prison or exactly when he was convicted as a War Criminal, or how long he may have served, would you agree that this was a man of questionable character?

Why would Lockheed pay this man millions of dollars? You must have asked. What were you told?

KODAMA AS AN INFLUENTIAL MAN

Mr. FINDLEY. Yes, sir. Well, the man is a very influential figure in Japan, and has access to important people. He was characterized in one conversation as a very powerful lobbyist. The competition in Japan for business was an intense one. The corporation has told us that the competition was quite formidable, and that it was essential that the order be obtained, and their best available aid in obtaining that order would be Mr. Kodama.

Senator CHURCH. He was paid millions of dollars in order to obtain the order from the Japanese, was he not?

Mr. FINDLEY. Yes, sir.

Senator CHURCH. Yes.

Mr. FINDLEY. That is my understanding.

HOW PAYMENTS TO KODAMA WERE MADE

Senator CHURCH. And how was he paid, openly or secretly?

Mr. FINDLEY. Well, he was paid in a variety of ways.

Senator CHURCH. Tell us how you determined that he was paid?

Mr. FINDLEY. Our examination indicated that he was paid substantial sums in currency and also substantial sums in the form of bearer checks.

Senator CHURCH. All right, the currency. When you say substantial sums, can you tell us how this money was actually transferred to him?

Mr. FINDLEY. My recollection is that the corporation would purchase in Japan from a foreign exchange broker sums of yen, and these sums of yen currency would be physically delivered to Mr. Kodama.

Senator CHURCH. In Bekins boxes?

Mr. FINDLEY. Well, the expression was once used, that the sums of money required packing cases.

Senator CHURCH. That the sums of money required packing cases. How was it charged on the Lockheed books?

Mr. FINDLEY. It was charged as a commission expense in connection with the L-1011 marketing program.

Mr. LEVINSON. Where did the transfer actually take place? Did it take place in a hotel room, an office?

Senator CHURCH. In a warehouse?

Mr. FINDLEY. It could have taken place in Mr. Kodama's home, or it could have taken place in Lockheed offices. I am not sure.

Mr. LEVINSON. Now, this was the old system, where they transferred currency, correct?

Mr. FINDLEY. That was my understanding of the old system.

FROM PACKING BOXES TO BEARER CHECKS

Mr. LEVINSON. And then they went over to bearer checks, correct?

Mr. FINDLEY. Yes, sir.

Mr. LEVINSON. Now, was the reason they went over to bearer checks because you began to insist upon receipts?

Mr. FINDLEY. Well, we were insisting upon receipts. We insisted upon receipts for yen transactions. I really am not sure why the bearer check was used in lieu of yen.

Mr. LEVINSON. This is what occasioned the loss of approximately \$1.6 million in bearer checks destined for Japan?

Mr. FINDLEY. My recollection is that checks were delivered, bearer checks were delivered and subsequently lost.

THE ROLE OF THE GENEVA SUBSIDIARY

Mr. LEVINSON. Could you explain the role of the Geneva subsidiary of Lockheed in these payments? The actual payments were charged to the books of the Geneva subsidiary, weren't they?

Mr. FINDLEY. Well, in certain cases—and I don't think that this covers all the cases—the Geneva office would make the payments—which would then be charged back to the Lockheed California Co., who would either reimburse the Geneva office, or record an obligation to the Geneva office; and then characterize that obligation as—the charge for that obligation as—prepaid commission expense.

Mr. LEVINSON. Well, for example, Kodama was paid \$2 million by LAIAG, that is Lockheed Aircraft International, AG which is the Geneva corporation, correct?

Mr. FINDLEY. Yes.

Mr. LEVINSON. That's the Swiss subsidiary of Lockheed. Now the Swiss subsidiary purchases the cashier's checks in dollars or Swiss francs and made payable to cash. Is that correct?

Mr. FINDLEY. Made payable to cash or bearer.

Mr. LEVINSON. Or bearer. And these checks are physically transported by Mr. Tom Barrow, the vice president of international finance of Lockheed?

Mr. FINDLEY. That is what I recall. Yes, sir.

Mr. LEVINSON. And he delivers these checks in person to whom, to Mr. Clutter in Tokyo?

Mr. FINDLEY. I would suspect—I'm not sure if it would be Mr. Clutter or Mr. Kodama directly.

Mr. LEVINSON. So in effect the money moves from the Swiss subsidiary. The Swiss subsidiary is the one who collects the money, whether it is bearer checks or cash for delivery to Kodama, correct?

Mr. FINDLEY. Yes, sir.

Senator CHURCH. Now bearer check is just like currency, isn't it?

Mr. FINDLEY. That's my understanding of a bearer check.

Senator CHURCH. Either the currency is packed in crating cases and delivered, or the money is transferred by bearer check so that there won't be a record, isn't that true?

Mr. FINDLEY. I'm reluctant to classify it as——

Senator CHURCH. Well, it's a rather extraordinary thing to fill up a Bekins box full of currency and transfer it. That isn't the normal, customary transaction, is it, between——

Mr. FINDLEY. Well, it's unusual.

[General laughter.]

Senator CHURCH. So there must be a purpose for taking such an extraordinary means for transferring large amounts of money. What would you suspect, as a reasonable man, the purpose was? Didn't you ask?

Mr. FINDLEY. Yes, I asked that question.

Senator CHURCH. Would you tell us?

REQUEST OF MR. KODAMA

Mr. FINDLEY. That is the manner of payment insisted upon by Mr. Kodama.

Senator CHURCH. Didn't that lead you to ask further questions?

Mr. FINDLEY. Well, there was a series of questions asked. Yes, sir, Senator.

Senator CHURCH. Now what questions did you ask? Did you ask what the money was being paid to Mr. Kodama for?

Mr. FINDLEY. Yes, sir.

Senator CHURCH. And what were you told?

Mr. FINDLEY. That he was being paid pursuant to a consultant's agreement; and this is his price.

Senator CHURCH. It was a part of that agreement that he should be paid cash in Bekins boxes and by bearer checks which are tantamount to cash, right?

THE AGREEMENT WITH KODAMA

Mr. FINDLEY. I can't recall if the agreement itself specified the manner in which payment would be accomplished. It seemed to me that the agreement cited services to be rendered and compensation to be paid.

Senator CHURCH. Was the agreement in writing?

Mr. FINDLEY. Yes, sir.

Senator CHURCH. And how were the services described in the agreement?

Mr. FINDLEY. I haven't read that agreement for several months, Senator. I don't think I could rely on my memory for the answer to that question.

Senator CHURCH. Do we have a copy of the agreement in our files?

Mr. LEVINSON. Yes, we do. We have a copy of the agreement and the consultant is supposed to devote his best efforts to cultivate sales prospects and markets for the products in the territory; cooperate

with and assist Lockheed and its employees and representatives in their efforts to sell the products and advise Lockheed of the political, economic and competitive conditions affecting sales; to provide guidance for Lockheed in making contacts with actual prospective customers; to counsel and advise Lockheed of the rules, regulations and business practices attendant to the marketing of the products in the territory; submit reports to Lockheed as requested including information to A through E above.

Senator CHURCH. Well, those sound like very innocent services, hardly worth \$7 million to be paid in cash and bearers checks.

WHAT WAS KNOWN IN JAPAN

Was it known in Japan or did Mr. Kodama represent himself in Japan as an agent of the Lockheed Co.?

Mr. FINDLEY. It is my understanding that that information was not generally disseminated.

Senator CHURCH. It was your understanding that that information was not generally disseminated?

Mr. FINDLEY. Yes, sir.

Senator CHURCH. Well, the fact was he was to keep his relationship secret, wasn't it? Just as secret as the payments that were made in Bekins boxes and in bearers checks.

Mr. FINDLEY. I believe that's the case.

Senator CHURCH. That was the case, wasn't it? Sure, he was a secret agent of the Lockheed Co.

Mr. FINDLEY. Yes, sir.

Mr. LEVINSON. There is one—I'm sorry.

Senator CHURCH. Do you know, or did you ever find out what Kodama did with all that money?

Mr. FINDLEY. No, sir.

I have no reliable knowledge as to what he did with the money; whether he kept it or whatever.

Senator CHURCH. But Lockheed did get the contracts?

Mr. FINDLEY. Yes, sir.

Senator CHURCH. Mr. Levinson?

THE SWISS CORPORATION

Mr. LEVINSON. Since you are the auditor, I really think we have a unique opportunity to understand how the Swiss corporation works. What is the function of the Swiss corporation and what are some of the problems of the Swiss subsidiary of Lockheed?

Now in effect, if someone looks at the books of the California company or the Georgia company, what they see is a payment to the Swiss subsidiary of Lockheed for marketing services and nothing beyond that. Isn't that essentially correct?

Mr. FINDLEY. Well, if the observer had access to the entire set of records, he would know—I'm confident that he would know—that although the charge for the services came from the Swiss subsidiary, he would know that the payments were made, ultimately made outside of the company.

Mr. LEVINSON. Yes.

Now in connection with the Swiss books, you couldn't examine them in California although it's a Lockheed subsidiary. You had to go to Switzerland, didn't you?

Mr. FINDLEY. Well, we have a—Arthur Young & Co. is an international firm. We have an office in Geneva that periodically performs, well it annually makes an audit of those transactions and financial statements.

SWISS LAW PERTAINING TO DOCUMENTS

Mr. LEVINSON. Didn't you tell us on Monday that they have a little problem with Swiss law taking documents out of Switzerland?

Mr. FINDLEY. Well, the problem with Swiss law is taking documents out of Switzerland, pursuant to a subpoena issued by an agency other than Switzerland.

Mr. LEVINSON. So in other words, if a subpoena of this subcommittee or of the SEC or of the IRS issues, the company cannot get the documents of the Lockheed Geneva subsidiary, can they?

Mr. FINDLEY. That really is a legal question that I am not an expert, frankly, on.

CORPORATE USE OF SWISS SUBSIDIARIES

Mr. LEVINSON. Isn't that really the reason why corporations use the Swiss or Leichtenstein subsidiaries? After all, the operating company, the company that's selling the product is either the California company or the Georgia company of Lockheed.

Why is the payment made from the Swiss subsidiary? If the company that's performing the services, that's selling the product is located right here in the United States, why don't they disburse from here? Why are they disbursing from the Swiss subsidiary?

Mr. Chairman, it should be stated for the record that we have requested access to the records of the Swiss subsidiary of Lockheed as well as of other corporations. The practice is that you can't get it because the Swiss directors of the Swiss subsidiaries of the corporations object and Swiss law won't let you have access to it. Now isn't that the heart of the matter of why the corporations use the Swiss subsidiaries?

Mr. FINDLEY. I think that if I tried to answer what was in the minds of management I believe I would be—

Mr. LEVINSON. Well, you're a sophisticated auditor. Arthur Young is one of the largest and most sophisticated auditing firms. Now why do you think so? You're a partner in this firm. You're not just a minor employee. You're familiar with all of these practices. Give us your informed judgment.

Mr. FINDLEY. There are—well, first my informed judgment is that the Swiss company performs a variety of functions. They indeed perform under contracts in foreign countries. They perform in foreign countries—

Senator PERCY. Well, what functions are those? What other functions do they perform?

Mr. FINDLEY. Well, they're involved in the company's contracts with other governments in the international sales. My knowledge that I've collected over the years is that Lockheed has long been interested

in doing business internationally. They set up the Swiss subsidiary initially for a variety of reasons, some of them were tax reasons, some of them were insulation of liability.

SIZE AND FUNCTION OF SWISS SUBSIDIARY

Senator PERCY. Could you give us some idea as to the size and personnel of their company; how many people they have, how many clerical, how many professional, and what type of professional people they are, how many engineering, how many sales and so forth?

Mr. FINDLEY. I think I'd be guessing, Senator. I've got that information somewhere. But—

Senator PERCY. But it is a consequential operation?

Mr. FINDLEY. It's a consequential operation.

Senator PERCY. In other words, it's not a paper company? It really exists. It has offices. It has people.

Mr. FINDLEY. Yes.

Senator PERCY. And we'd find a structure there.

Mr. FINDLEY. They have offices in Geneva. I have toured those offices. They have a staff of marketing people and accountants; essentially their work is done in the Middle East primarily. It's technical assistance and those types of contracts to the governments of the Middle East. Materials are furnished by both vendors throughout Europe and from the United States, including the parent corporation. Services are provided by the parent corporation.

Senator PERCY. But you as auditors were convinced it was not just a conduit for payment of funds abroad, but it actually was an operating company that performed services only one of which then was this conduit type.

Mr. FINDLEY. Yes. I'm convinced of that, sir.

WHY AIRCRAFT COMPANIES ESTABLISH SWISS SUBSIDIARIES

Senator CHURCH. The question is—you see, the heart of the question that I would like get to is why do these aircraft companies establish these subsidiaries in Switzerland?

When Northrop was here we found that it was through such a subsidiary that they were making improper payments. We asked them why they had located that subsidiary in Switzerland and they said, well, they learned how to do that from Lockheed.

[General laughter.]

Senator CHURCH. Lockheed doesn't manufacture planes in Switzerland, does it?

Mr. FINDLEY. No, sir.

Senator CHURCH. No. So why do the aircraft companies that manufacture planes in this country establish a subsidiary in Switzerland through which to do business? Why is this pattern in Switzerland suddenly emerging? Isn't it true that there are highly protective Swiss laws with respect to the bookkeeping of the subsidiaries that are located in that country?

Mr. FINDLEY. My conduct in the audit of the Lockheed Aircraft Corporation—I concerned myself frankly less with the Swiss law and more particularly with whether the transactions that this company concludes are properly reflected in its financial statements. I am really disinterested in Swiss law.

Senator CHURCH. You are disinterested in Swiss law. You have not inquired into the reason why American aircraft companies use Switzerland for subsidiaries of this kind?

What our committee's experience has been is this: That although the companies can obtain the documents of their subsidiary if they wish, the committee cannot. Once the committee attempts to secure that information, then Swiss law is invoked as the barrier. So it operates as a barrier against the committee of the Congress or presumably any other government that might want to inquire into the affairs of the subsidiary; but it does not operate as a barrier to the company.

I should think that gives the company a very considerable measure of protection and I should think that may be the reason why Switzerland is the country chosen by large American aircraft manufacturers to locate agencies of this kind in Switzerland.

Senator PERCY. I'd like to comment on that because Switzerland is a good friend of ours.

I don't think that necessarily follows.

Senator CHURCH. If there is another reason I'd like to know about it.

Senator PERCY. I know of many international companies that have headquarters in Switzerland because it's a good place to do business. It's a safe, secure place and the U.N. uses it very frequently—the international headquarters of ILO, and other places—that is not necessarily because they don't require accounting. So I'm not as concerned about that as I am the actual operations of how that company operated.

HOW PAYMENTS WERE MADE TO MARUBENI?

Could you comment, Mr. Findley, on how the Marubeni Trading Co.—on how payments were made to them. Were they made through Switzerland or were they made directly by the California company, to Marubeni Trading Co. of Japan?

Mr. FINDLEY. Yes, sir.

It seems to me those payments were made directly from the California company. But I would like to examine my records to confirm that fact.

Senator PERCY. My recollection was it was a different procedure; that it was not a standard procedure to use Switzerland. In this case I think they did use direct payments out of California.

Mr. FINDLEY. I think that that might be the case.

Senator CHURCH. But for payments to their secret agents they used the Swiss conduit.

Mr. FINDLEY. In a great number of instances, yes, sir.

Senator CHURCH. Mr. Blum?

DEAK AND COMPANY

Mr. BLUM. Was an account maintained in Hong Kong at Deak and Company? Did Lockheed maintain an account at Deak and Company in Hong Kong?

Mr. FINDLEY. I can't recall. I wasn't following that.

Mr. BLUM. Didn't some of the currency transactions in your auditing of monies that went through Mr. Kodama pass through Deak and Company in Hong Kong?

Mr. FINDLEY. I have a vague recollection that that did take place. Yes, sir.

Mr. BLUM. Were you told why that account was established or why the company has an account there?

Mr. FINDLEY. Well, the company operates in Hong Kong too. They have a manufacturing facility there.

Mr. BLUM. Was this—to your knowledge, was this account used for those purposes?

Mr. FINDLEY. I don't recall right now what the banking arrangements were in Hong Kong. The company had a manufacturing plant in Hong Kong. They could—it might have been a convenient source for funds.

Mr. BLUM. In Monday's testimony, you told us that that was principally used to accumulate yen for these transactions.

Mr. FINDLEY. If I said that, I don't believe I said that. My recollection of my conversation on that subject doesn't agree with that.

Mr. LEVINSON. While we're looking through that, Mr. Chairman, I think in fairness to Lockheed and to Mr. Findley perhaps it would be well to back up for a minute.

WERE MONIES RETURNED TO THE UNITED STATES FOR POLITICAL PURPOSES?

I asked you whether you could be sure that no funds were brought back to the United States for political purposes here. On Monday you stated that you had absolutely no reason to believe that any of these monies came back to the United States for political purposes.

Mr. FINDLEY. That is correct.

Mr. LEVINSON. Now you stated that you were confident that the corporate officers had been very firm on that question.

Mr. FINDLEY. That is correct.

Mr. LEVINSON. And you stated that certainly they received great pressure in the 1972 election to make a political contribution and they steadfastly refused to do so.

Mr. FINDLEY. I was told that. Yes, sir.

Mr. LEVINSON. And who told you that?

Mr. FINDLEY. Well, I wasn't told that directly. I heard Mr. Haughton state that to his board of directors.

Mr. LEVINSON. And did he state who brought that pressure on them?

Mr. FINDLEY. He might have. My memory is not very clear on that. I was most impressed by the fact that he was strongly resisting and he expressed it in the strongest possible terms; that it's utterly out of the question for Lockheed Aircraft Corp. to make political contributions; that the consequences of that were so great that no matter what the risks—I mean, I'm sorry, no matter what pressures were applied, the company was to refuse categorically.

Mr. LEVINSON. I think that should be on the record.

Senator CHURCH. I think it should too.

THE LOAN TO LOCKHEED

The company was actually in a very sensitive position in that regard; having obtained \$150 million credit from the U.S. Government in order to enable it to continue operations. Isn't that correct?

Mr. FINDLEY. Are you referring to the emergency loan guarantee by the administration?

Senator CHURCH. Yes.

Mr. FINDLEY. I think that the company traditionally, has always traditionally been of the very strong view that political contributions are not a proper act.

Senator CHURCH. I see.

Mr. FINDLEY. For Lockheed.

Senator CHURCH. In the course of your auditing of the company books, you have never run across anything that would suggest illegal political contributions in the United States?

Mr. FINDLEY. I have never encountered any evidence of that kind of conduct.

NEED FOR AN EXECUTIVE SESSION

Senator CHURCH. I understand, Senator, we are going to have to vote at 12 o'clock. And if you have further questions—I believe that's probably the vote now—I suggest you put them to these witnesses. We can then dismiss these witnesses and continue the hearing on Friday. We will have need for an executive session to dispose of some other questions that have arisen. We would like to hold that executive session this afternoon.

I haven't had a chance to explain that to you, but I will, and perhaps at 2:30 this afternoon.

The vote is now on. Before we adjourn this session, I would like to ask Mr. Clutter and Mr. Kotchian to come forward and be sworn.

Senator PERCY. I have two more questions for Mr. Findley.

Senator CHURCH. Go ahead.

AMBASSADOR HODGSON

Senator PERCY. Mr. Chairman, I think that because we have the coincidence of Mr. James Hodgson, Ambassador of the United States to Japan, was vice president of personnel for Lockheed, and in view of the fact that in our executive session it was brought out—the question was raised as to whether there was any conflict of interest that you ever ran across and the answer was negative; I think that in fairness to Ambassador Hodgson, we should put that on the public record.

Was there in your judgement, or from anything that you knew, Mr. Findley, in any dealings with Lockheed, did you ever run across the name of Ambassador James Hodgson, that might in any way involve a conflict of interest?

Mr. FINDLEY. None whatsoever, sir.

Senator PERCY. Thank you.

LOCKHEED AND KODAMA—"A SAD STATE OF AFFAIRS"

And though the chairman did mention in his opening statement very pertinently—I would like to reinforce that particular point; that to have a man like Mr. Kodama engaged in the militaristic right wing end of Japan, which brought a war on the world really, an attack on the United States, to have a man who served his time and a man associated today with the most militaristic right wing elements of Japan, which would not seem to be consistent with the foreign policy of this country; the recipient of \$7 million from the largest United States defense contractor, it seems to be a very sad state of affairs.

Now where is the responsibility for questioning Lockheed's judgment, questioning whether or not they should have that kind of an association just because he is somehow able to deliver the business? And their connections go even beyond that. It went into areas of crime. Certainly if he wants to come forward and clear his name he'd be welcome to. But from what I have learned, that kind of an association, I am literally shocked that Lockheed would have that affiliation or feel it necessary in order to get business out there. Where is the responsibility? Is it an auditing responsibility or is it the responsibility of the board? Did they have knowledge of it? Did they ever question the management as to their judgment in their selection of agents in Japan?

Mr. FINDLEY. My belief is that the responsibility for that rests with the board of directors. The entire board indirectly, and the audit committee directly were aware of the relationship with Mr. Kodama, I believe, in early 1973. That's my best recollection as to the dates we first discussed this subject.

Senator PERCY. Thank you very much.

SWEARING OF MESSRS. KOTCHIAN AND CLUTTER

Senator CHURCH. Now I wonder if Mr. Kotchian and Mr. Clutter would come forward and be sworn for the continuation of this hearing which will take place Friday morning at 10 o'clock. If you gentlemen would please raise your right hand.

Do you both swear that all the testimony that you will give in the continuation of this proceeding, which will be held at 10 o'clock on Friday morning, will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. KOTCHIAN. I do.

Mr. CLUTTER. I do.

Senator CHURCH. Thank you very much.

At room S-116 at 2:30 this afternoon the committee will hold an executive hearing and the staff will notify those who are to appear as witnesses at that time.—The hearing for this morning is concluded and we will resume at 10 o'clock on Friday morning.

[Thereupon, at 12:07 p.m., the subcommittee recessed, to reconvene at 10 a.m., Friday, February 6, 1976.]

LOCKHEED AIRCRAFT CORP.

FRIDAY, FEBRUARY 6, 1976

**UNITED STATES SENATE,
SUBCOMMITTEE ON MULTINATIONAL CORPORATIONS
OF THE COMMITTEE ON FOREIGN RELATIONS,
Washington, D. C.**

The subcommittee met, pursuant to notice, at 10:03 a.m., in room 4221, Dirksen Senate Office Building, Senator Frank Church (chairman of the subcommittee) presiding.

Present: Senators Church, and Percy.

Also present: Jerome Levinson, chief counsel of the subcommittee.

Senator CHURCH. The hearing will please come to order. Will members of the press please find seats. May we please have order?

Before we begin this morning, I want to mention one correction; information supplied by the Congressional Research Service on Mr. Yoshio Kodama, Lockheed agent, stated that he was a convicted class A war criminal who served 3 years in prison. Subsequent information has shown that while Mr. Kodama did serve 3 years in prison, it was as a class A war crimes suspect, but he was never brought to trial. The remainder of the information concerning Mr. Kodama remains verified and correct.

Our first witness this morning is Mr. A. C. Kotchian, the president of the Lockheed Aircraft Corp. Mr. Kotchian, would you please stand to take the oath?

Do you solemnly swear that all the testimony you will give in this proceeding will be the truth, the whole truth and nothing but the truth, so help you God?

Mr. KOTCHIAN. I do.

TESTIMONY OF A. CARL KOTCHIAN, PRESIDENT, LOCKHEED AIRCRAFT CORPORATION, BURBANK, CALIFORNIA; ACCOMPANIED BY MR. WILLIAM R. GLENDON, ESQUIRE, ROGERS AND WELLS, WASHINGTON, D.C.

THE OFF-THE-BOOKS ACCOUNT

Senator CHURCH. Mr. Kotchian, Lockheed had a bank account which was an off-the-books account, is that correct?

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. And this off-the-books account was set up through the Paris office of the law firm Coudert Brothers, is that correct?

Mr. KOTCHIAN. To the best of my information, I have learned in the past year it was handled through an account of the law office of Coudert Brothers.

[The following information was received subsequent to the hearing:]

COUDERT BROTHERS

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BRUSSELS
RUE BELLIARD 20
8 1040 BRUSSELS
HONG KONG
8 DES VOUEUX RD CENTRAL
HONG KONG
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8 SHENTON WAY
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TOKYO
TANAKA TAKAHASHI
SHUWA DAINI TORANOMON BLDG
20 SHIBA KISHIKUBO SAKURADAWA-CHO
MINATO KU TOKYO 108

March 8, 1976

The Honorable Frank Church
Chairman, Subcommittee on
Multinational Corporations
Foreign Relations Committee
United States Senate
Washington, D. C.

Re: Lockheed Overseas Payments

Dear Senator Church:

Evidence was submitted to the Subcommittee on Multinational Corporations of the Committee on Foreign Relations on February 4, 1976 and February 6, 1976 to the effect that a trust account or a special bank account was maintained by Coudert Brothers from which payments were made overseas on behalf of Lockheed. After investigation, we find that no such account was maintained by this firm. Because we believe that the publicity which has resulted from this testimony could well be damaging to our firm and because we are sure that your Committee would be interested in correcting the record, we are enclosing herewith a statement of the facts as we believe them to be and hope that the substance of our statement will be incorporated in the report of the Subcommittee.

Respectfully yours,

COUDERT BROTHERS

By Alexis C. Coudert
Alexis C. Coudert

Enclosure

Statement by Coudert Brothers
to the Senate Subcommittee on Multinational Corporations
of the Committee on Foreign Relations
March 8, 1976

Evidence was submitted to the Subcommittee on Multinational Corporations of the Committee on Foreign Relations on February 4, 1976 and February 6, 1976 to the effect that a trust account or a special bank account was maintained by Coudert Brothers from which payments were made overseas on behalf of Lockheed. Prior to that time no partner of Coudert Brothers except Charles Torem, a Coudert partner resident in Paris, had any knowledge relating to Lockheed overseas payments. After investigation, we find that no trust or bank account or safe deposit box was ever established or maintained in the name of the firm in France or elsewhere which was used to make sales promotion or similar payments of any kind on behalf of Lockheed in any country.

Mr. Torem has advised us as follows:

As an accommodation to Lockheed and without advising any partner or associate of the firm, Mr. Torem personally accepted co-signatory power with several Lockheed employees over a bank account in Switzerland created for Lockheed in 1968 in the name of a Swiss lawyer. Mr. Torem and Mr. Roger B. Smith, then a

consultant and former employee of Lockheed, did at the direction of Lockheed, during the period 1968 to 1970 authorize the issuance by the bank of three checks totalling \$135,000 which Mr. Torem was informed were for the payment of company sales promotion expenses. These checks were delivered to Lockheed. Mr. Torem has assured us that he had no knowledge of the identities of the ultimate recipients of these funds or of any impropriety which may have been involved.

In 1971 the dollar balance of \$190,000 remaining in the bank account was placed, at the request of Lockheed, in a safe deposit box in the same Swiss bank subject to the control of the same persons having signature power over the bank account. In July 1972, Mr. Smith became counsel to Coudert. In mid-1973 the entire balance of \$190,000 was turned over by Mr. Smith and a person other than Mr. Torem, to a Lockheed subsidiary in Switzerland.

Except as stated above, Mr. Torem did not participate in handling any funds or making any payments on behalf of Lockheed for sales promotion or similar purposes.

We hope that the above statement or the substance thereof will be incorporated in the Report of the Subcommittee.

ARTHUR YOUNG & COMPANY,
March 12, 1976.

JEROME I. LEVINSON, Esq.
Chief Counsel, Subcommittee on Multinational Corporations,
Washington, D.C.

Re Lockheed Overseas Payments.

DEAR MR. LEVINSON: I have recently received a communication from Coudert Brothers, copy attached, which discusses the Coudert firm's involvement with Lockheed overseas payments. At the time my testimony was given on February 4, 1976, our investigation of these matters had not been completed and presently is still in process. Any information that I furnished with respect to the Coudert firm's involvement with this subject was based on hearsay. While, I am not in a position to confirm what is stated in the attached letter, I have no information which causes me to doubt the correctness of that firm's summary of the relevant facts.

Further, in the interest of fairness and to clarify any misunderstanding which possibly could have been occasioned by the release of information by the Subcommittee to the news media, I want to state it is my understanding that the alleged payments to I.D. from the "fund" occurred after the Coudert firm had been disassociated from the fund.

Yours very truly,

WILLIAM G. FINDLEY.

cc: Alexis C. Coudert, Esq.

COUDERT BROTHERS,
ATTORNEYS AND COUNSELLORS AT LAW,
New York, N.Y., March 4, 1976.

Mr. WILLIAM G. FINDLEY,
Arthur Young & Co., Los Angeles, Calif.

Re Lockheed Overseas Payments.

DEAR MR. FINDLEY: On the basis of your testimony of February 4, 1976 and Mr. Kotchian's testimony of February 6, 1976 before the Subcommittee on Multinational Corporations of the Committee on Foreign Relations (the "Church Committee"), the news media have reported that a fund was maintained by Coudert Brothers in Paris from which payments were made on behalf of Lockheed. Prior to that time no partner of Coudert Brothers except Charles Torem, a partner resident in Paris, had any knowledge relating to Lockheed overseas payments. After investigation, we find that no bank account or safe deposit box was ever established or maintained in the name of the firm in France or elsewhere which was used to make sales promotion or similar payments of any kind on behalf of Lockheed in any country.

Mr. Torem has advised us as follows:

As an accommodation to Lockheed and without advising any partner or associate of the firm, Mr. Torem personally accepted co-signatory power with several Lockheed employees over a bank account in Switzerland created by Lockheed in 1968 in the name of a Swiss lawyer. Mr. Torem and Mr. Roger B. Smith, then an employee of Lockheed, did, at the direction of Lockheed, during the period 1968 to 1970 authorize the issuance by the bank of three checks totalling \$135,000 which he was informed were for the payment of company sales promotion expenses. These checks were delivered to Lockheed. Mr. Torem has assured us that he had no knowledge of the identities of the ultimate recipients of these funds or of any impropriety which may have been involved.

In 1971 the dollar balance of \$190,000 remaining in the bank account was placed, at the request of Lockheed, in a safe deposit box in the same Swiss bank subject to the control of the same persons having signature power over the bank account. In July 1972, Mr. Smith became counsel to Coudert. In mid-1973 the entire balance of \$190,000 was turned over by Mr. Smith and a person other than Mr. Torem, to a Lockheed subsidiary in Switzerland.

Except as stated above, Mr. Torem did not participate in handling any funds or making any payments on behalf of Lockheed for sales promotion or similar purposes.

We hope that you are pursuing your investigation of this matter because we are satisfied that such investigation would corroborate what we have said above. We are, of course, ready to cooperate in any such investigation.

Very truly yours,

ALEXIS C. COUDERT.

Senator CHURCH. Who in the Lockheed Corporation was responsible for opening the account?

Was it Don Wilder?

Mr. KOTCHIAN. I do not know for certain, Senator. But it was disclosed on Wednesday by Mr. Findley that the check request for the funds that established the account was signed by Mr. Wilder; that the check requests were signed by Mr. Wilder.

Senator CHURCH. Was Mr. Wilder the man who handled the F-104 program in Germany after Mr. Folden's departure?

Mr. KOTCHIAN. He participated in the activities in Germany on the 104, but he did not take over the exact position. Mr. Folden was a production expert and Mr. Wilder maintained liaison with the customers. He was more of a marketing man.

CONSORTIA OF EUROPEAN ACCOUNTS

Senator CHURCH. Were expenditures from this account related to the intense marketing effort that involved two consortia of European airlines?

Mr. KOTCHIAN. Partly, yes, sir.

Senator CHURCH. And the two consortia were Atlas, on the one hand; which was composed of Air France, Lufthansa, and others; and the so-called KSS group being KLM, Swiss Air and SAS, is that correct?

Mr. KOTCHIAN. Yes; those are the airlines that make up those two groups.

COMPETITION BETWEEN MCDONNELL-DOUGLAS AND LOCKHEED CORP.

Senator CHURCH. This was a major contest, was it not, between the McDonnell-Douglas Company and the Lockheed Co. for long range versions of their wide bodied aircraft?

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. The financial records show that there were several payments from this off-the-books account, and the largest of those payments is a \$100,000 payment. I would like to know what was the purpose of that payment?

Mr. KOTCHIAN. I was not aware of that payment at the time. But to the best of my later information, it was to establish a climate in which our product would be properly received and properly considered by people who would be active in making the decision.

DEVELOPMENT OF "A FAVORABLE CLIMATE"

Senator CHURCH. It was \$100,000 paid to people who would be active in making the decision to develop a favorable climate for your aircraft, is that correct?

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. Was the payment made to a high government official in the Netherlands?

Mr. KOTCHIAN. Yes, sir, to the best of my information, the records indicate that, yes, sir. That was it.

Senator CHURCH. Was the \$100,000 the first time that this high government official in the Netherlands had received money from Lockheed?

Mr. KOTCHIAN. I believe there had been previous instances.

Senator CHURCH. There had been previous instances? When was the first Lockheed payment to this particular official made? Was it in the 1961-1962 period, to the best of your knowledge?

Mr. KOTCHIAN. To the best of my knowledge, yes, sir, Senator.

SUGGESTION OF PAYMENT BY C. FRED MEUSER

Senator CHURCH. Was the original suggestion that this official be paid made by Mr. C. Fred Meuser, then a Lockheed sales executive in Europe?

Mr. KOTCHIAN. To the best of my knowledge and belief.

Senator CHURCH. How much was this original payment?

Mr. KOTCHIAN. Again, Senator, this is a long time ago and I'm trying to answer it to the best of my knowledge.

Senator CHURCH. I know you are.

Mr. KOTCHIAN. Approximately \$1 million.

Senator CHURCH. The original payment to this same official, was approximately \$1 million?

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. How was the transfer of the funds accomplished?

Mr. KOTCHIAN. Again, I have to preface each one of these, to the best of my knowledge and belief, because I have not seen the documents in a long time.

Mr. LEVINSON. Mr. Kotchian, could you please raise your voice? You cannot be heard.

Mr. KOTCHIAN. Am I not speaking in the microphone?

Senator CHURCH. Just pull the microphone a little closer to you.

Mr. KOTCHIAN. Excuse me, would you repeat the question? I've lost the trend of thought.

TRANSFER OF THE \$1 MILLION

Senator CHURCH. You had testified that the first time that Lockheed paid this high government official in the Netherlands, it was approximately \$1 million.

My question is: how was the transfer of \$1 million accomplished?

Mr. KOTCHIAN. A gentleman in Europe was established as the representative of the consultant on a contract that provided for a percentage commission and the money was paid to him as a commission; and to the best of my belief, then it was transmitted by him.

Senator CHURCH. But it was paid by Lockheed, with the intention that it be passed through this gentleman, to the high government official, is that correct?

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. And to your best knowledge and belief, that in fact was done, is that not correct?

Mr. KOTCHIAN. I have no reason to believe that it did not occur. But I could not—I'm not sure.

LOCKHEED'S QUID PRO QUO

Senator CHURCH. In September, Mr. Cowden testified that Lockheed always got a quid pro quo when they gave a payment to a government official. What did it get for the \$1 million? Our records seem to indicate it was \$1.2 million, but I will not quibble over \$200,000.

Mr. KOTCHIAN. Well, it may have been, Senator, but the figure that I have in my mind is——

Senator CHURCH. That is all right. A million, I think, is enough for us to deal with.

What was the quid pro quo? Why was this high government official in the Netherlands given \$1 million by Lockheed?

Mr. KOTCHIAN. To the best of my information, it was from a general good will and helpfulness on various programs that were going on in that area.

Senator CHURCH. The general good will and helpfulness having to do with buying Lockheed aircraft, was that not the case?

Mr. KOTCHIAN. Yes.

SALES TO THE DUTCH AND GERMANS

Senator CHURCH. And did the Dutch Government buy Lockheed aircraft?

Mr. KOTCHIAN. They had.

Senator CHURCH. Which aircraft and can you give us the approximate size of the contracts?

Mr. KOTCHIAN. I don't remember the size of the contracts, Senator. The contracts in the recent—in the last 15 years, consist of the—as part of the F-104 consortium that purchased the airplane which was chosen by Germany in the competition that was held in the late 1950's. We then were successful in selling some P-2B and antisubmarine warfare airplanes, as I recall again, and again, this is from memory. I was not able to—I didn't know you were going to have this line of reasoning.

Mr. LEVINSON. No one can hear. It's very difficult.

Senator CHURCH. Are you having difficulty hearing?

All right, let's see if we can improve the sound.

Mr. KOTCHIAN. I'll try to repeat. I'm afraid if I talk into the microphone too loud you won't hear me.

Senator CHURCH. You have been describing the kinds of aircraft that were sold by Lockheed to the Dutch Government during this general period. You have mentioned various military aircraft that were sold. What about commercial aircraft?

SALES OF COMMERCIAL AIRCRAFT

Mr. KOTCHIAN. In the earlier, late 1940's and during the 1950 time period, we sold Constellation airplanes; and in the later 1950's, we sold Lockheed Electra airplanes.

Senator CHURCH. And after that?

Mr. KOTCHIAN. We have not sold any airplanes. We have not been successful with any aircraft.

Senator CHURCH. When did you sell the F-104 to the Dutch air force?

Mr. KOTCHIAN. Well, it was part of a consortium, of course, that included—the German Government was the lead on that. And the sale, as I recall, was either in late 1958 or 1959.

LOCKHEED'S INTERMEDIARY

Senator CHURCH. You mentioned that in passing the million dollars that Lockheed used an intermediary. Was that intermediary Mr. Hubert Weisbrod?

Mr. KOTCHIAN. Yes, sir. I believe so.

PAYMENT TO DUTCH OFFICIAL

Senator CHURCH. In his letter to Mr. Jones, Mr. Fred Meuser indicated that Hubert Weisbrod deserved great credit for the F-104 sales in Europe. Was that because of his role as a conduit in the payment of this million dollars to the high Dutch Government official?

Mr. KOTCHIAN. No, sir.

Senator CHURCH. Isn't it true that this particular official first indicated to Lockheed that what he wanted from Lockheed was a TriStar jet aircraft or a JetStar aircraft?

A GESTURE OF GOOD WILL

Mr. KOTCHIAN. This did not come from the official. I believe, as I recall, that it was Mr. Meuser who suggested that it would be a gesture of good will for Lockheed to provide a JetStar and that by using the JetStar in Europe, it would act as a stimulant to sales to other people.

Senator CHURCH. This JetStar then was to be a present, was it not?

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. Why did you decide not to give the JetStar to this high Dutch official?

Mr. KOTCHIAN. I'm not exactly sure. I've thought more about this question; part of it was the difficulty of transferring title, but I believe also—I've thought more about it—that it might have been suggested by Mr. Meuser that it would be better if it would be the equivalent in funds, rather than the aircraft itself.

Senator CHURCH. In other words, rather than presenting an aircraft, you would present him with the cost or the purchase price or the equivalent of the purchase price of the aircraft?

Mr. KOTCHIAN. I believe it was something like that, sir.

Senator CHURCH. Then, having given him the money to buy it, did he buy such an aircraft?

Mr. KOTCHIAN. We never were contemplating giving him the money to buy the airplane. The aircraft consideration was dropped. The money transaction was arranged and as far as I know he did not use it to buy an airplane.

Senator CHURCH. But you testified just a minute ago that you had thought about presenting him with the aircraft so that he could fly it around as an advertisement for Lockheed. Now when you substituted the money, it was not with the intention that he fly the money around, was it?

Mr. KOTCHIAN. No. It was—the suggestion of the airplane, as I mentioned before, was dropped. And the suggestion was made that it—that money be substituted in lieu of the aircraft, period.

WHAT LOCKHEED GOT FOR THE MONEY

Senator CHURCH. What did you get for your money?

You're not in the business of giving away millions of dollars. I suppose it isn't the normal course of business or customary business practice I should say, to give \$1 million at a crack to high government officials of foreign governments. So what did you get for the money?

Mr. KOTCHIAN. This was not my decision, sir.

Senator CHURCH. It was the decision of the Lockheed Company, was it not?

Mr. KOTCHIAN. Yes.

Senator CHURCH. What did the Lockheed Company get for the money?

Mr. KOTCHIAN. Well, I believe that it was a, as I mentioned earlier, to establish a climate of good will and a climate in which our product would be—would receive adequate exposure, and hopefully we would make sales.

Senator CHURCH. Wouldn't you call that a bribe?

GIFTS VERSUS BRIBES

Mr. KOTCHIAN. I think, sir, that as my understanding of a bribe is a quid pro quo for a specific item in return; and I would categorize this more as a gift. But I don't want to quibble with you, sir.

Senator CHURCH. All right. We won't quibble on that.

You gave the money because you expected a certain favorable consideration?

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. In connection with the possible sale of Lockheed aircraft to the Dutch Government?

Mr. KOTCHIAN. Yes, sir.

THE OFF-THE-BOOKS ACCOUNT

Senator CHURCH. Now, returning to this matter of the off-the-books Paris bank account, our documents show that in addition to the \$100,000 which was paid to this same high official in the Dutch Government—that would make \$1.1 million that our records would bear out. Is that correct?

Mr. KOTCHIAN. Yes, sir. Yes, sir. To the best of my knowledge.

Senator CHURCH. To the best of your knowledge.

THE \$10,000 PAYMENT

Going back then to this off-the-books account that you kept in Paris, our records show that there was a second payment of \$10,000 for which there is no explanation. Who was paid this money?

Mr. KOTCHIAN. I have not looked up the exact name of the organization. But as I recall the transaction at that time; I was approached by my sales people in Europe. I should preface that by saying I had been after them for better intelligence as to how our prices

and deliveries and specifications compared with our competitors. And I said I needed this kind of information.

THE ORGANIZATION IN LONDON

They came to me and said there was an organization in London that said they could obtain that for us. And I authorized that payment for a service of 1 year, as I recall, for a period of time.

Senator CHURCH. Can you give us the name and address of this organization in London?

Mr. KOTCHIAN. I cannot, sir, but our records would show it. I am sure it's on the check that was written on the Coudert account because I saw it when the records were brought back, when this account was closed out.

EX-CIA AGENTS

Senator CHURCH. Were the men that you engaged for securing intelligence with respect to what your competitor might be offering, were they ex-CIA agents?

Mr. KOTCHIAN. At the time I was informed that at least one person in this organization was an ex-CIA man.

Senator CHURCH. What kind of intelligence did they propose to provide for this money?

Mr. KOTCHIAN. The type I just described, and I put the limitation on at that time that it was only for intelligence overseas, foreign intelligence.

Senator CHURCH. How did they propose to obtain it?

Mr. KOTCHIAN. I do not know, sir.

Senator CHURCH. Did they represent to you that through their previous intelligence connections they could obtain such information?

Mr. KOTCHIAN. Not to me. I never had any conversation with them, sir, at all.

Senator CHURCH. But what about the people within the company who recommended these—

Mr. KOTCHIAN. They seemed to believe that they could; and it was more or less of a trial to see whether it was successful. And it did not turn out to be so and we did not continue the practice.

THE PURPOSE OF THE \$25,000 PAYMENT

Senator CHURCH. Was an additional \$25,000 paid from an off-the-books account to an official from a customer airlines in the Netherlands?

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. What was the purpose of paying this Dutch airlines official \$25,000 for?

Mr. KOTCHIAN. It was for, again, in general intelligence to establish a climate which we hoped would be helpful to us; and some indication of where we were weak in the presentations we might be making in the very stiff competitions.

Senator CHURCH. Now, it's true, isn't it, that this official was highly placed in the very airline to which you sought to sell Lockheed aircraft?

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. And that official's role was to recommend to the company, was it not, which aircraft it ought to buy?

Mr. KOTCHIAN. Well, he was one of many or a few officials who would do that.

Senator CHURCH. One of a few officials who would do that. He was influential, was he not, in connection with the decision that would be made?

Mr. KOTCHIAN. It was our feeling that he would be.

Senator CHURCH. And that was the reason that you paid him the \$25,000 wasn't it?

Mr. KOTCHIAN. Well, that, in addition to the fact that since he was in that part of the organization, he was in a position to tell us what types of information would be most helpful to our cause; what we should emphasize; where we might not—an airline is like a government. It's a large organization. You have to deal with the operational people and maintenance people and people who stock the spare parts; the financial people; the people that do the operations. And so sometimes in your eagerness to make a sale you might overlook some part of it. And somebody like that can point that out to you.

Senator CHURCH. So he was to give you inside information?

Mr. KOTCHIAN. Well, to be helpful. [Nods affirmatively.]

Senator CHURCH. Yes, inside information.

And he was also one who was to recommend which aircraft should be purchased by the airline?

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. How did you make the payment to him?

Mr. KOTCHIAN. It was—I was not there, and I don't know exactly. But it was delivered by one of our employees who was close to him.

Senator CHURCH. In cash?

Mr. KOTCHIAN. I believe so.

The check to the record in the Coudert account, which I've seen, which I saw last summer when the account was closed, that was the first time I saw it, is a check endorsed by our employee. So I am sure that was the way it was done.

Senator CHURCH. Which employee?

Mr. KOTCHIAN. I'd rather not have to answer that, Senator. I will—if I don't have to because I think that employee should have the right to tell his own story.

I have not talked to him and as far as I know it has not been discussed with him.

Senator CHURCH. You have already testified that this money was paid, to the best of your knowledge, in cash; and that a certain employee in the Lockheed company made the transfer. His name appears on the check.

Mr. KOTCHIAN. My problem, sir, is that his endorsement, excuse me.

Senator CHURCH. I was just trying to get the picture straight.

His name appears on the check which enabled him to withdraw the money from this account, is that correct?

Mr. KOTCHIAN. Yes, sir. But I don't—you see, my problem is that his endorsement is on that check. I think that he is the man that

gave the money to the gentleman. But he may have given it to someone else who transmitted it to him and he just made the endorsement on the check. And I would feel uncomfortable within this forum to designate him without him having a chance to talk.

Senator CHURCH. There is no confusion about the purpose for which the check was intended, no matter how many intermediaries there may have been, isn't that correct?

Mr. KOTCHIAN. That's right, sir.

Senator CHURCH. I just don't see what the problem is in giving us his name.

Mr. KOTCHIAN. Well, I will if you ask me to.

But my point was, if he was asked by somebody just to provide the endorsement and then he gave the money to somebody who gave it, I think I'd be hurting an innocent person who may be completely innocent in the transaction because the whole circumstances might not come out and his name would——

Senator CHURCH. You mean he may not have known that the money was going to be used to bribe this——

Mr. KOTCHIAN. He may or may not have. He may or may not have, sir. He may or may not have.

Senator CHURCH. At what level was the authorization given for payoffs of this kind?

Mr. KOTCHIAN. In this particular case, of the \$25,000, I was the initiator of it and approved it, sir. But all I——

Senator CHURCH. Well, it must have been known then, to your agents, who were to pass the money to this Dutch airlines official, that his purpose was——

Mr. KOTCHIAN. I was told it was accomplished, but I was not told how.

Senator CHURCH. Well, with the understanding that you have now placed in the record, that this employee may not have known the purpose, will you give us his name?

Mr. KOTCHIAN. It was a Mr. Fife.

Senator CHURCH. And what position did he hold in the company?

Mr. KOTCHIAN. He was the salesman on the account for the—we had a series of salesmen working on trying to sell the airplanes to the respective airlines; and the general practice was to have one gentleman in charge at each airline. And he was the gentleman in charge at the KLM airline.

Senator CHURCH. The Dutch airline?

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. He was the one who was handling the effort to sell Lockheed aircraft to the Dutch airline?

Mr. KOTCHIAN. Yes, sir.

\$85,000 PAYMENT TO CATHAY-PACIFIC AIRLINE OFFICE

Senator CHURCH. Our notes further indicate a payment of \$85,000 from this same account. Where was that payment made?

Mr. KOTCHIAN. I think it was made in, someplace in France.

Senator CHURCH. What was its purpose?

Mr. KOTCHIAN. Its purpose was to help sell additional airplanes by having the benefit of advice and counsel coming from the individual to other airlines, primarily.

Senator CHURCH. Was this \$85,000 paid to a Frenchman? Who was he?

Mr. KOTCHIAN. He has a residence in France and I believe he's an English citizen.

Senator CHURCH. Was he a government official?

Mr. KOTCHIAN. No, sir.

Senator CHURCH. Was he an airline official?

Mr. KOTCHIAN. An airline official.

Senator CHURCH. An airline official.

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. Of what airlines?

Mr. KOTCHIAN. I'd rather not answer that question.

Senator CHURCH. I know you'd rather not answer it. But I think we need to know. You've given us the other information. Why would you withhold this information?

Mr. KOTCHIAN. The airline is Cathay-Pacific.

Senator CHURCH. Cathay-Pacific.

Who owns the Cathay-Pacific Airline?

Mr. KOTCHIAN. It is a private airline operating out of Hong Kong.

Senator CHURCH. Is it owned by—you say it's a private airline. Do you mean by that, that it's not government-owned?

Mr. KOTCHIAN. That's right.

Senator CHURCH. Was the Lockheed Co. interested in selling aircraft to this airline?

Mr. KOTCHIAN. We had sold airplanes to them, sir.

Senator CHURCH. And have you sold airplanes to them since?

Mr. KOTCHIAN. No, sir.

Senator CHURCH. What was this \$85,000 paid to the official of the Cathay airlines for?

Mr. KOTCHIAN. Well, we had been successful in selling airplanes there, and after the sale was over and we were commencing to sell to other airlines in that general area, where Cathay-Pacific operates, my salespeople said that this man could be—had been quite helpful in again telling us where we were, where we had problems, and where we should concentrate. And they felt that he could help us with our oncoming campaign which we were having in that area.

Senator CHURCH. Did he prove helpful?

Mr. KOTCHIAN. He did but we were not successful. We had not been successful selling any other airline in that area to this date.

Senator CHURCH. You made no further payments to him?

Mr. KOTCHIAN. No, sir.

Senator CHURCH. Did he, at any time, identify himself as an agent of Lockheed?

Mr. KOTCHIAN. Not to my knowledge, no sir.

Senator CHURCH. And it was understood that he wouldn't, was it not?

Mr. KOTCHIAN. Well, there was—I don't know.

Senator CHURCH. I mean it was not your intention that the \$85,000 would be paid to him and that he would then announce publicly or tell those with whom he dealt that he was an agent of Lockheed. That wasn't just the reason or the intention, was it, of Lockheed?

Mr. KOTCHIAN. No, sir.

PAYMENTS TO I-D CORP.

Senator CHURCH. Now, from our notes, I gather that the remaining payments from this off-the-record account were made as a service charge to the I-D Corporation in Japan, is that correct?

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. Was it the practice of Lockheed Aircraft to pay its salesmen on a commission basis until the period of the early 1960's?

Mr. KOTCHIAN. Not all salesmen, but some salesmen did have commission arrangements.

Senator CHURCH. Before we go any further, let's get this I-D corporation identified. What was it?

Mr. KOTCHIAN. The I-D Corporation, to the best again—to the best of my knowledge and belief, Senator, was a Hong Kong company who did perform various marketing functions for us in Southeast Asia. Specifically, I believe, in Indonesia at one time; and miscellaneous things in Japan.

LOCKHEED PAYMENTS: U.S. TAX WRITE-OFF

Senator CHURCH. You have testified now that \$1.1 million was transferred to a high official of the Dutch government.

Mr. KOTCHIAN. I want to make one point clear, Senator, that only \$100,000 of that went from this account. Again, it was much earlier.

Senator CHURCH. I know. But I mean all told Lockheed paid \$1.1 million to this high government official in the Dutch Government; that \$25,000 was paid to an official in the Dutch airlines; that \$85,000 was paid to an official in the Cathay-Pacific Airlines. Two days ago we received testimony that Lockheed had paid somewhere between \$6 and \$7 million to a Japanese agent, a secret agent, Mr. Kodama. Were these payments deducted as ordinary business expenses on the income taxes paid by Lockheed to the U.S. Government?

Mr. KOTCHIAN. Gentlemen, I don't—I don't know, sir. I think—well, I could go and explain the accounting, but on the commercial airplanes, expenses like this are put into the—deferred on the books of account until deliveries are made and amortized over deliveries. And we have not been paying income taxes for the last several years. So there wouldn't be any payments.

But how it's handled accounting wise, I better not speculate.

Senator CHURCH. Well, this goes back quite a long period, to 1960, 1961, and Lockheed has not been bankrupt during that whole period, has it?

Mr. KOTCHIAN. No, sir. Yes, sir, we paid taxes then.

Senator CHURCH. Well, I think it's a relevant question. When you say that these expenses were connected with the sales, aren't you really saying that these expenses were connected, were treated on the books of the company as a part of the cost of the sale? Therefore, they are deductible.

Mr. KOTCHIAN. I really don't know, sir, on these. I should not—

Senator CHURCH. You mean as president of the company you never inquired into payments running into the millions of dollars of such a character and asked how they were treated for tax purposes?

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. You haven't?

Mr. KOTCHIAN. Yes, sir.

Senator PERCY. Could I ask a question there, Mr. Chairman?

You're not authorized to make investments of payments out of capital. The board has to do that. You're authorized to expense matters. If they're expense, they're automatically taken from taxes. Why do we have to have such an evasive answer on such a fundamental question as that?

Mr. KOTCHIAN. I'm not trying to evade it, Senator.

Senator PERCY. Can't you get at a definite answer then? Weren't these items, expense then, taken off of your Federal income taxes? They were not capitalized items. They were not taken out of capital funds.

Mr. KOTCHIAN. When you make expenses on the sale of aircraft, you usually expense at the time of delivery, not when it's paid.

Senator PERCY. So it's only a question we're arguing about; the decision, the timing.

Mr. KOTCHIAN. The timing, the timing.

Senator PERCY. There is no question about the fact that they were expense items.

Mr. KOTCHIAN. That they would, or have been or they will become expense items. The question put to me was had they been expensed on our tax returns. And that was the part that I couldn't answer authoritatively.

Senator CHURCH. But whether they have been yet, the intention was to deduct them.

Mr. KOTCHIAN. No, I believe on——

Senator PERCY. Have you ever had a time when you didn't expense such expense in the past; that you ever took such expenses out of capital, which I assume would require board approval?

Mr. KOTCHIAN. I guess I know of none to answer your question.

Senator PERCY. Well, I guess that gets us closer to an answer then.

LOCKHEED OFF-THE-BOOKS AMOUNT

Senator CHURCH. Mr. Kotchian, at the time that this off-the-books account was set up in Paris, were you aware of it?

Mr. KOTCHIAN. No, sir.

Senator CHURCH. How is it possible for this account, which is certainly a serious violation, I should think, of normal corporate practice, how was it possible that this account came into being without the knowledge of the senior officers of the corporation?

Mr. KOTCHIAN. I do not know, sir.

Senator CHURCH. When was the off-the-books account first discussed or disclosed to you?

Mr. KOTCHIAN. I became aware of it in either—sometime, I believe, in 1973.

Senator CHURCH. Did you then take immediate steps to close it out?

Mr. KOTCHIAN. No, I did not.

Senator CHURCH. Why?

Mr. KOTCHIAN. Well, I was told by the people handling it that the sums in it were fairly nominal. And so I didn't want to take any action.

Senator CHURCH. Well, weren't the funds in it somewhere between \$400,000 and \$600,000 at that time?

Mr. KOTCHIAN. I think it was something—I was told it was somewhere around \$300,000 or \$400,000, as I recall.

Senator CHURCH. And you regarded that as too nominal to bother with?

Mr. KOTCHIAN. Well, it was nominal in connection with the total responsibilities that I felt that I had on selling products, and all of the other matters.

Senator CHURCH. Now isn't it true that after the subcommittee held its hearings on Northrop and we were told that Northrop learned how to do this kind of thing from Lockheed, that you then closed out this account?

Mr. KOTCHIAN. Well, it may have happened relatively simultaneously, but as I recall the circumstances, we were getting ready to file a registration statement, that the auditors wanted to make a review of all of these matters, and I felt at that time that I had to—that I should disclose it.

Senator CHURCH. You were about to file a registration statement with whom?

Mr. KOTCHIAN. Well, we were filing a registration statement to seek permission from our shareholders to issue some preferred stock.

Senator CHURCH. Was this filed with the Securities and Exchange Commission?

Mr. KOTCHIAN. It was in the process of—it had one file—

Senator CHURCH. And didn't your accountant say we'd better clean up the books, and close this account before we file with the SEC?

Mr. KOTCHIAN. No, sir. The accountants had asked me, among other people, to sign the certificate on matters that related hereto. And I felt that I had to disclose this and take action to close out the account.

Senator CHURCH. Since you had to disclose it, you then took action to close up the account? Is that correct?

Mr. KOTCHIAN. Well, it brought it to my attention, sir. And I felt that we should.

PAYMENTS TO SWEDE AIR

Senator CHURCH. Senator Percy?

Senator PERCY. I'd like to concentrate the next few questions in practices in Sweden. Does Lockheed have an agent or consulting agreement with Swede Air?

Mr. KOTCHIAN. I believe we do, Senator.

Senator PERCY. Do you know definitely or not?

Mr. KOTCHIAN. Well, I have looked at records which indicate that we do have. I have not looked at the agreement. I've not discussed it with anybody in Sweden. But I reviewed the list of consultant arrangements and I am aware of that.

Senator PERCY. All right. Is Swede Air a private or a state owned company?

Mr. KOTCHIAN. I believe it's a state owned company.

Senator PERCY. Is it an SAS subsidiary?

Mr. KOTCHIAN. I do not know.

Senator PERCY. Has Lockheed paid commissions to Swede Air?

Mr. KOTCHIAN. I believe we have.

Senator PERCY. When, how much, and in connection with what airplane sales?

Mr. KOTCHIAN. I do not know the when or the how much. It's in connection with the sale of C-130 airplanes to the Swedish air force.

Senator PERCY. Did some of these commissions get passed to the Royal Swedish Air Force?

Mr. KOTCHIAN. I do not know.

Senator PERCY. Do you know of any single individual or more than one individual that might have been the recipient of these commissions?

Mr. KOTCHIAN. I do not.

Senator PERCY. You have no idea at what level then commissions, if paid, might have been passed?

Mr. KOTCHIAN. I do not.

Senator PERCY. Or for what purpose?

Mr. KOTCHIAN. I do not.

Senator PERCY. From our own committee notes, I see the name J. C. Marty. Could you identify who J. C. Marty is?

Mr. KOTCHIAN. Repeat the name.

Senator PERCY. J. C. Marty.

Mr. KOTCHIAN. I do not recognize that name.

Senator PERCY. And a Mr. Hansen. Can the committee identify those people, J. C. Marty and Hansen?

Mr. LEVINSON. Yes. Hansen is the—

Mr. KOTCHIAN. Hansen, I recognize that name.

Senator PERCY. Yes. Could you identify then who Hansen would be?

Mr. KOTCHIAN. Hansen is our sales representative in our Paris office who looks after Europe.

Senator PERCY. A direct employee of Lockheed?

Mr. KOTCHIAN. Yes, sir.

Senator PERCY. Full time on your payroll?

Mr. KOTCHIAN. Yes, sir.

Senator PERCY. And he has how much responsibility for Europe?

Mr. KOTCHIAN. Well, he takes care of the general day-to-day activities, to supplement people that would come from the United States on specific sales assignments.

Senator PERCY. I will ask the general counsel to identify them, if he can, J. C. Marty.

Mr. LEVINSON. Marty is also a Lockheed employee, is he not?

Mr. KOTCHIAN. He may be out of the Georgia company. But I am not—the name does not register.

Mr. LEVINSON. Yes, he's out of the Georgia company. I don't have his exact title; and it's a communication from Hansen to Marty, and it's in the committee files.

Senator PERCY. I'd like to just read, if I can, from our own notes that the committee has. This is a telegram to J. C. Marty from Hansen, dated December 10, 1974. Swede Air is a state owned company and derives part of its "profits from commissions." Commissions are passed in some form to RSAF—I assume that that's the Royal Swedish Air Force—general officer, who sits on Swede Air's board and has

"his hat turned the right way. As long as the commissions are not too much or too little, he should be satisfied."

Now this is between two executives of Lockheed Corporation, or employees. Could you interpret what that means and what the implications of that telegram are? What is usually meant when someone "has his hat turned the right way?" And what would it mean that "as long as the commissions are not too much or too little, he should be satisfied?"

Mr. KOTCHIAN. I can't speculate, sir, on what those two gentlemen meant by that.

Senator PERCY. Well, could you give us any kind of interpretation?

Mr. KOTCHIAN. Well, the only thing I could shed light on this is that immediately—that we reviewed this whole situation last summer. We suspended all payments to all consultants throughout the world, and rewrote all of our procedures and tried to bring everybody in, and redirect the way we were doing things.

We got all of our consultants to sign statements that no moneys were being paid to anybody. And it came to our attention at that time that the Swedish consultant was a government organization which presented some difficulties because of the payments to government people. I was told that we had obtained from the Swedish government an agreement that it was perfectly proper in Sweden; and that we could continue to deal with this particular organization as a consultant. This is new information that you're now telling me that had not come to my attention. And we're looking at it.

PROPRIETY OF PAYMENTS TO CUSTOMER COMPANY EMPLOYEES

Senator PERCY. Would you consider it proper to pass commissions to someone who sits on a board as a purchaser of a corporation, of what might be a potential purchaser?

Mr. KOTCHIAN. The way you describe it, I think it's worthy of investigation, sir. All too often some of these communications between our people are not necessarily accurate.

Senator PERCY. Would it have been your corporate policy that if you had discovered that some of these commissions were passed on in the forms of what might be considered bribes, to a potential purchaser, that the corporation policy would have immediately caused that to cease and desist such payments?

Mr. KOTCHIAN. We did not have a policy prior to the one we established in late August and early September that prohibited payments to government officials; but as of now, we do have, and yes, it would, sir.

SWEDEN AIR AND LOCKHEED PAYMENT POLICY

Senator CHURCH. May I interrupt?

Senator PERCY. Yes, sir.

Senator CHURCH. Really, the policy is laid out in the evidence. The policy is clear up until you developed a new policy, and this particular reference to which Senator Percy refers is dated December 10, 1974. I think it speaks for itself. I don't know of language that could any more accurately describe what was going on than that the general had his hat turned the right way, and as long as the commissions are not too much or not too little, you understand that?

Mr. KOTCHIAN. I don't know. The implication, sir, is being made that the man was putting the money in his pocket, the general. I don't know if that's the case or not.

Senator CHURCH. Well, that's certainly what the language implies, isn't it?

Mr. KOTCHIAN. Well, you know, we try to apply the way things work in this country to other countries, and I've seen cases like this, and I'm not trying to imply that this is the case here. But funds may have gone to some kind of a fund for the officer or a man of the Swedish air force, I don't know.

Senator CHURCH. But, you didn't understand that to be the case from this language?

Mr. KOTCHIAN. I've never seen that before. It was shown to me by Mr. Levinson just before the hearing started, sir.

Senator PERCY. We can assume, though, it is reasonable to assume that if a hat is turned the right way that it's an open hat and opened in a gesture of this type (Indicating) rather than a rejection or turn-down or rebuttal, with the hat turned right side up (Indicating). If the hat's an empty hat, then someone's going to drop something in it.

Now, you say that's at least certain from this memorandum. What you're saying is you don't know what the end purpose would be.

Mr. KOTCHIAN. Yes. There might be somebody in an organization that's friendly to us, and I don't see that there is anything wrong with that. Now, why he was friendly, I don't know.

Senator PERCY. Well, I think the question is how friendly you are toward them for the corporation, and in what way. If someone wants a part of a commission, wouldn't it be the better part of prudence and good business judgment to inquire what the commission is, what the payment is for? It makes quite a difference whether it's for the benefit of widows and orphans, or whether it's for the benefit of the officer himself.

Mr. KOTCHIAN. Yes, sir, and we are trying to adhere to that kind of policy.

Senator PERCY. But, as recently as 1974, the end of 1974, this apparently was, the policy was quite the contrary then; and here is evidence that this is the way the policy and the campaign, in a sense, to sell airplanes should be carried out. Is that correct?

Mr. KOTCHIAN. I'm not aware of the circumstances of that particular situation, sir.

LOCKHEED COMMISSIONS

Senator PERCY. Could you comment, Senator Church asked earlier about the form of payment. Was it your practice at Lockheed to pay salesmen on a commission basis until the period of the early 1960's, and, if so, why on such big ticket items that a commission was desirable rather than, say, a salaried employee, who represented in technical marketing terms the value of the product which didn't necessarily need a commission as adequate incentive?

Mr. KOTCHIAN. I do not know, sir. I did not establish the policy, and I was part of the group that tried to discontinue it as rapidly as we could.

Senator PERCY. Were the commissions supplied to purchasing agents of customer airlines or other officials?

Mr. KOTCHIAN. No, sir, I—I—

Senator PERCY. Was the company aware at any time of the fact that commissions were shared by its salespeople?

Mr. KOTCHIAN. I think some of us became aware of that at about the time that we thought it was, that we should discontinue the procedure because of that practice. I mean, that was one of the reasons for discontinuing it.

The other one was what you mentioned, of being big ticket items, and it's very difficult to control.

Senator PERCY. Were the commissions, though, when that policy existed established at the levels that they were because it was taken into account that they were expected to share those commissions?

Mr. KOTCHIAN. I know of no such arrangement.

Senator PERCY. On the basis of documents the subcommittee received from the German Ministry of Defense, the commissions were paid to Fred Meuser and three other salesmen in Lockheed's Geneva office for the sale of the Starfighter in Germany.

Do you know whether any of these commissions were split with anyone in the German Government or were used for political contributions?

Mr. KOTCHIAN. I have no such information.

Senator PERCY. And your answer to that question again was what?

Mr. KOTCHIAN. I have no such information.

Senator PERCY. Can you say, then, with certainty, that they were not split with officials of the German Government?

Mr. KOTCHIAN. Well, I can't say with certainty on that what somebody might have done. But I have never seen any indication of it.

Senator PERCY. I'd like to go back to your answer to the previous question, because I want to be certain there is consistency between our Executive Session with you and today's testimony.

Again, I'd like to put the question to you on the policy of Lockheed to pay salesmen with commissions and the salesmen splitting those commissions.

Can you say with certainty that you did know of, in the past salesmen splitting those commissions?

Mr. KOTCHIAN. I knew of one instance that had occurred. That was the one I was referring to in our Executive Session.

Senator PERCY. Yes. When you testified yesterday it was not just one case, the pronoun "they" was used, which means more than one.

Mr. KOTCHIAN. Well, maybe I drew that conclusion from that one case, but I think there probably were others. But I have no certain knowledge of it.

Senator PERCY. You have no knowledge that there was any more than one case, to your knowledge, that you presume that there were others?

Mr. KOTCHIAN. That's right. I presume that there were others.

PAYMENTS TO GERMAN GOVERNMENT OFFICIALS, POLITICAL PARTIES

Senator PERCY. To your knowledge, has Lockheed directly or indirectly made payments to government officials in Germany in connection with the sale of the F-104 Starfighter, spare parts for the F-104, and F-104 maintenance?

Mr. KOTCHIAN. No, sir.

Senator PERCY. Has Lockheed directly or indirectly contributed money to any German political party, other than the \$8,000 which was channeled through Mr. Christian Steinrucke?

Mr. KOTCHIAN. I have no knowledge.

Senator PERCY. With respect to the \$8,000 given to Mr. Steinrucke for political contributions, did Lockheed ascertain which political parties the money went to?

Mr. KOTCHIAN. Repeat the question, sir.

Senator PERCY. Are you sure that Mr. Steinrucke, in fact, made the contributions on behalf of Lockheed?

Mr. KOTCHIAN. I don't—I don't—I was not a party to that, and all I know is what I've read from the record, just like you people. To the best of my knowledge—

Senator PERCY. From the record, then.

Mr. KOTCHIAN. From the record I believe there were two contributions, as I recall it. As I remember, he asked for more, maybe like \$12,000, it would be \$6,000 and \$6,000, and it ended up that he was furnished \$8,000, and how he split that between the parties I don't recall.

Senator PERCY. Was it common practice for Lockheed to pay its agents outside of the country in which they operated?

Mr. KOTCHIAN. It's not common practice one way or another. You do it, depending upon what the agent requests.

Senator PERCY. So, it was generally at the agent's request, was it?

Mr. KOTCHIAN. Generally speaking.

Senator PERCY. As an example, financial records indicate that Steinrucke received his money through a Swiss bank account. Was there any particular reason for that? Was that at his request and his initiative?

Mr. KOTCHIAN. Well, that's not unusual. I presume so. It wouldn't be at ours.

Senator PERCY. It was not at the convenience of the company?

Mr. KOTCHIAN. I know of no reason why it would be.

Senator PERCY. Mr. Steinrucke's predecessor was Gunther Frank-Fahle, is that correct?

Mr. KOTCHIAN. Frank-Fahle, yes, sir.

Senator PERCY. Were all of Frank-Fahle's commissions paid inside Germany?

Mr. KOTCHIAN. I do not know where they were paid, sir.

Senator PERCY. Can you give any reason why there was an avoidance of paying him inside Germany? Would there be any reason for that?

Mr. KOTCHIAN. I don't know that he wasn't paid, or I know of no reason. I don't know where he was paid.

Senator PERCY. At the time that the off-the-books account was set up in Paris, were you aware of it, Mr. Kotchian?

KOTCHIAN REITERATES

Mr. KOTCHIAN. When it was set up? No, sir.

Senator PERCY. Were you aware of it having been set up?

Mr. KOTCHIAN. No, sir.

Senator PERCY. Do you know why you were not advised?

Mr. KOTCHIAN. No, I don't.

Senator PERCY. Yes, Senator Church. Thank you.

PURPOSE OF PAYMENTS TO YOSHIO KODAMA

Senator CHURCH. Mr. Kotchian, I'd like to turn now to the Japanese scene and the retention by Lockheed of Mr. Yoshio Kodama. The other day Mr. Findley testified that Lockheed had paid Kodama over \$7 million.

According to information we have, payments in 1970 amounted to approximately \$100,000; payments in 1971 quadrupled. Now, what was the reason for the sudden increase in fees?

Mr. KOTCHIAN. We were asking him to do more because we were beginning, in 1968 we started a very active campaign to sell our commercial L-1011.

Senator CHURCH. Wasn't it true at that time you wanted the Japanese, the airlines, the All-Nippon Airlines to postpone its decision on what aircraft it would purchase?

Mr. KOTCHIAN. No, I don't believe All-Nippon Airlines at that time was very active. We were working with JAL at that time.

Senator CHURCH. Well, if it was JAL then, didn't you want the decision delayed?

Mr. KOTCHIAN. Well, we wrote in a campaign to put our airplane in the best light possible. The competitors, the 747 and the DC-10 were in the marketplace a little earlier than we were, we tried to tell everybody they should wait to see how our airplane performed because we thought it was the most advanced airplane.

Senator CHURCH. You needed more time?

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. And that's what you were trying to get, more time?

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. You engaged Mr. Kodama to help you, didn't you, to get more time?

Mr. KOTCHIAN. Well, Mr. Kodama had been engaged by our company back in the early 1960's, and continued to work and advise us during all that period. So naturally, when I went to Japan in 1968 and 1969, I pointed out to him that this was one of the parts of our sales campaign, and did seek his advice on how we might best do that.

Senator CHURCH. All right. Here we have \$100,000 paid to Mr. Kodama in 1970; \$400,000 in 1971; a dramatic increase to \$2,240,000 to Mr. Kodama in 1972. His fees are going up fast.

What exactly did Mr. Kodama do for them?

Mr. KOTCHIAN. Well, as I—

Senator CHURCH. Did he introduce you to Mr. Osano?

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. Who is Mr. Osano?

Mr. KOTCHIAN. He is a very, from my observation, a very influential businessman in Japan.

Senator CHURCH. And what did Mr. Osano do for you?

Mr. KOTCHIAN. Well, we consulted with Mr. Osano about strategy, as well as with Mr. Kodama about how do we present our case and who do we see; to seek introductions, that sort of thing.

Senator CHURCH. But you weren't paying him such sums of money just to arrange introductions, were you?

Mr. KOTCHIAN. Well, I think the fact that Mr. Kodama arranged my introduction to Mr. Osano, who I became quite well acquainted with when I was in Japan, was quite helpful to me because he was a very influential man. I think you should recognize that the Japanese establishment, if you want to call it that, is a fairly close-knit group of individuals, both in business and government, and somebody from the United States is not privy to enter into that group, and so you need some help.

Senator CHURCH. Did you pay Mr. Osano money?

Mr. KOTCHIAN. No, sir.

Senator CHURCH. Did Mr. Kodama pay any of the \$7 million you finally turned over to him to Mr. Osano?

Mr. KOTCHIAN. I am not certain of that, sir, but it may have occurred. I believe it did. Yes, sir, because he worked with him on it.

Senator CHURCH. Did you secure your objective in getting the decision delayed on the purchase of the aircraft?

Mr. KOTCHIAN. Well, we didn't, we didn't get a delay. Well, we got it delayed, I guess, until we were successful, yes.

Senator CHURCH. And you were ultimately successful?

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. Now, the truth of this is, isn't it, that Mr. Kodama was known to be a fixer; you paid him \$7 million to accomplish certain objectives and the real objective was to try to get you that sale. That's really the truth of it, isn't it? And you didn't ask him how he would use the money or what he would do with it, or anything else. You just didn't ask him any further questions about it.

Mr. KOTCHIAN. We didn't ask him how he was going to use the money, sir, but we did work with him very—during that sales campaign I made 10 trips to Japan and was there at the end for 11 weeks meeting with Mr. Kodama and Mr. Osano many times, and sought their help to plan the strategy. I had occasion where, in one particular occasion where there was a misunderstanding occurring at various levels in the government which could have been disastrous to my cause; and I asked them to talk to people to try to straighten that misunderstanding out. There were many instances like that.

Senator CHURCH. You were paying Kodama to help you obtain the sales contract, weren't you, and do whatever was necessary to help you get it.

Mr. KOTCHIAN. Well, he—

Senator CHURCH. That's really an accurate statement, isn't it? You paid him \$7 million. You must have been paying him for something valuable.

Mr. KOTCHIAN. Well, yes, very much valuable.

Senator CHURCH. And, wasn't it to help you in whatever way he could to secure the sales contract for Lockheed?

Mr. KOTCHIAN. It was to help us, yes, sir.

Senator CHURCH. And you apparently were satisfied you got your money's worth.

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. Was there ever a time afterwards or during this connection with Mr. Kodama that you ever asked him to give you an accounting of what the money had been spent for?

Mr. KOTCHIAN. No, sir.

LOCKHEED DISCLOSURES TO STATE, IRS

Senator CHURCH. Is Mr. Kodama still employed by Lockheed?

Mr. KOTCHIAN. Yes, sir. We have a contract with him that provides a payment on when each airplane is delivered.

Senator CHURCH. He is paid when each airplane is delivered?

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. How much?

Mr. KOTCHIAN. I believe that at the present time on the deliveries occurring right now, it was at \$120,000 per airplane, and about right now it steps down to \$60,000. So, it's either \$120,000 or \$60,000. Maybe Mr. Clutter knows the exact figure.

Mr. CLUTTER. \$60,000.

Mr. KOTCHIAN. Mr. Clutter reminds me it's \$60,000 now.

Senator CHURCH. How were these payments carried on your books? Are they carried on your books?

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. Are they deducted as expenses of sales?

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. Has this relationship, which was described to us as secret on Wednesday, ever been revealed to the State Department, given Mr. Kodama's active role in extremist politics in Japan?

Mr. KOTCHIAN. Not to my knowledge, sir. It's not a general practice for us to disclose our consultants in various countries. Sometimes we do, and sometimes we don't.

Senator CHURCH. Did you ever make any disclosure to the Internal Revenue Service?

Mr. KOTCHIAN. Yes, as I remember, Mr. Kodama's payments have been taken for tax purposes in effect.

Senator CHURCH. So that the disclosure came in the form of business deductions—

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. [continuing]. Taken in the normal course when you filed your normal corporate income tax return?

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. Well, that return doesn't require you to give the specifics concerning the arrangements you had with Mr. Kodama?

Mr. KOTCHIAN. As I recall—well, I—

Senator CHURCH. You simply just took the amounts you paid and lumped them into business costs and deducted them, didn't you?

Mr. KOTCHIAN. Yes, but as I recall, those are all audited by IRS, and they looked at the receipts and our people have explained what type of work was done by the individual.

Senator CHURCH. Are you telling us that the Internal Revenue Service was given all the information that this Subcommittee now possesses and has disclosed, and agreed that the \$7 million was a legitimate deduction?

Mr. KOTCHIAN. I don't think that the \$7 million was deducted, Senator. I think in the earlier period I tried to explain to you and Senator Percy, on the 1011 program the costs are accumulated and, from a tax standpoint, it will probably be just looked at in the next, about now, in the next year or so.

Senator CHURCH. In the light of what we now know, the Internal Revenue Service should take a very careful look at the way these expenses are treated for income tax purposes.

Mr. KOTCHIAN. Sir, I'd like to, if I might, you started out to comment about the fact of secrecy, and I take no exception to the fact that we tried in all instances to keep our consultants from being publicized because the minute a consultant is publicized, he is of less value to you in sales campaigns because your competitor can disparage that individual, and, so, we do not make it a practice of telling everybody who our consultants are.

In addition to that, in Japan, as a matter of practice, secrecy is not unusual. It's more the usual way of doing things, and I think that the implications here are not quite—

Senator CHURCH. Well, the implications of a \$7 million payment for getting a contract, with no—

Mr. KOTCHIAN. Sir, I think you have to put that in—

Senator CHURCH. [continuing]. With no further questions asked, are you saying that is the normal way of doing business in Japan?

Mr. KOTCHIAN. That isn't what I said, sir. What I was trying to point out—

Senator CHURCH. Those are the facts. We've established the facts. There's no use arguing about those again.

Mr. KOTCHIAN. But, we're talking about a—

Senator CHURCH. I'm asking you, is that kind of arrangement which has now been established as a matter of fact the customary way in which business was done in Japan, in your judgment?

Mr. KOTCHIAN. I think a lot of business is done in Japan in that way, sir.

Senator CHURCH. Senator Percy.

Senator PERCY. I would like to say that having established a factory in Japan and employed 1,500 people, having had relationships in Japan over a period of 28 years, and probably having made at least a dozen trips there, at least in the industries in which I engaged, that was not a practice in Japan.

I can't speak for the aircraft business, so I think I want to give you a chance to define that your knowledge is limited to what fields and as to whether or not you do have knowledge in any other fields.

Mr. KOTCHIAN. No, I have not.

Senator PERCY. I have not in the three major fields in which I have engaged, I have not seen one slight bit of evidence to indicate that that's the way business is done in Japan.

Mr. KOTCHIAN. I was implying to the aviation industry.

Senator PERCY. Only to the aircraft industry.

Mr. Chairman, I would like to follow right through to put a little more on the record about Japan, and then if, at any time, you would like to break in, I'll go up for a few minutes to the African hearings that I should be in on, and then I will be back because I have some questions on Italy as well, and one or two follow-up questions on Sweden.

Senator CHURCH. Very well.

Senator PERCY. Could you—

Senator CHURCH. Senator, I wonder if you could lump your questions together because I'll have only a few final questions to ask, and I want you to be sure to get all of the questions you want to ask?

Senator PERCY. All right. Very good, thank you.

PAYMENTS TO, THROUGH MARUBENI COMPANY

On Japan, do you consider the Marubeni Company your official agent in Japan?

Mr. KOTCHIAN. They are agents in Japan.

Senator PERCY. How long has Lockheed employed them?

Mr. KOTCHIAN. Approximately 15 years.

Senator PERCY. What do they do for Lockheed?

Mr. KOTCHIAN. Well, they are traditional in Japan; they act as a trading company. They deal primarily, they represent us with the airline and handle any problems we have with the Ministry of Trade and Industry and they import and export materials to Japan in the United States.

Senator PERCY. Document number 27 in our release document shows a payment of 100 peanuts. Mr. Findley of Arthur Young identified 100 peanuts as 100 million yen. The payment was made to Hiroshi Itoh. Who is Hiroshi Itoh, whom did he work for on April 9, 1973, the day of your payment?

Mr. KOTCHIAN. Well, I could give you my answer to that, but I think that, since Mr. Clutter is here with more—do you want me to answer? All right. He worked for Marubeni as one of their officials.

Senator PERCY. He's an official of Marubeni, your agents in Japan?

Mr. KOTCHIAN. Yes.

Senator PERCY. And what did he do for the 100 million yen?

Mr. KOTCHIAN. Well, the money was delivered to him for payment to a government official.

Senator PERCY. For payment to government officials?

Mr. KOTCHIAN. Yes, sir.

Senator PERCY. Were there other payments to Mr. Itoh or to his employer?

Mr. KOTCHIAN. Well, there were other payments to his employer, and there were other payments to Mr. Itoh.

Senator PERCY. Yes, and were these payments made to government officials made with your advice and consent, or with your knowledge and concurrence?

Mr. KOTCHIAN. It's the latter, sir, knowledge and concurrence.

WHO ADVISED LOCKHEED TO MAKE PAYMENTS?

Senator PERCY. You simply concurred in it because this was the way business was done?

Mr. KOTCHIAN. This was what we were told, sir.

Senator PERCY. And who were you told that by?

Mr. KOTCHIAN. I was told that by the people in Japan whose opinion I valued.

Senator PERCY. Who were these people? Were they government people or were they your agent's people?

Mr. KOTCHIAN. They weren't government people. They were agent's people and other people that I just know, businessmen in that country.

Senator PERCY. Yes. If they are not government people, then the committee, the subcommittee, would like to have the names of these individuals.

Mr. KOTCHIAN. Do you mean, you know, you talk to a lot of people in the country. You say——

Senator PERCY. Well, what nongovernmental individuals received payments? You say that these payments were made to some government people and some nongovernment people?

Mr. KOTCHIAN. I said, what I said, what I meant to say, sir, I may have misspoke myself.

Senator PERCY. Well, maybe I was mistaken. I want to be absolutely clear on the record.

Mr. KOTCHIAN. Excuse me a minute. [Pause.]

Yes, I thought you asked me who recommended that we make the payments.

Senator PERCY. I'm sorry; I didn't hear that.

Mr. KOTCHIAN. I thought you asked me who had recommended making these payments.

Senator PERCY. Yes, that's right, and you indicated that some nongovernment officials had recommended making these payments.

Mr. KOTCHIAN. Yes, but these——

Senator PERCY. And I'll rephrase my question. Which nongovernment officials recommended that you make these payments to government officials?

Mr. KOTCHIAN. Well, this impression you get, sir, by talking to a lot of people, and I——

Senator PERCY. Can you think of one person specifically if you talked to a lot of them. There were people, you made many trips over there. These are people who advised you then as to how to do business. Who are these people that advised you? Name one of them. A nongovernmental official who said to you, this is the way you have to, you have to do business. Specifically, was it Mr. Kodama?

Mr. KOTCHIAN. No, it was not.

Senator PERCY. At no time did Mr. Kodama ever advise you that it was necessary for Lockheed to make these payments to government officials in order to get business?

Mr. KOTCHIAN. No, sir. No, sir.

Senator PERCY. Can you name who it was then that gave you that advice because this is very important advice involving high level policy matters, and, certainly, you don't take advice from people off the street or someone you meet in the elevator. You are taking advice from people that you are apparently seeking out or have sought you out as to how to do business in Japan. Was it Mr. Osano?

Mr. KOTCHIAN. No, sir.

Senator PERCY. Then can you name who it was?

Mr. KOTCHIAN. Well, I hate to—I mean I hesitate to do this again because you, maybe by my naming somebody in these circumstances, it's condemning them, and I may be doing it unnecessarily. But you're asking me a direct question.

Senator PERCY. I'm asking you a direct question because they are nongovernmental officials, and it would be interesting to know who these people are that are giving this kind of advice to American manufacturers doing business abroad. Your name has been brought into this. Other names in your corporation have been. I don't know why they shouldn't be brought into it. They were the ones that led you down the garden path.

Mr. KOTCHIAN. Yes, sir. The man that made the recommendation to me was either two men at Marubeni, the president at that time, Mr. Hyama, and one of the senior officials that I dealt with specifically, Mr. Okubu, who made the recommendation that if we wished to be successful, we would have to make some payments of this kind.

MARUBENI'S FEES

Senator PERCY. Did you, Mr. Kotchian, ever negotiate Marubeni's fees?

Mr. KOTCHIAN. Pardon?

Senator PERCY. Did you ever negotiate Marubeni's fees, you, yourself? You made many trips to Japan. Was this a part of your work there?

Mr. KOTCHIAN. Well, I was to review it, but I didn't, I didn't negotiate it. Generally speaking, the practice, at least in our industry—I don't know what it is in others—but in our industry, a trading company such as Marubeni gets 2 percent of the contract, and that seems to be the normal fee that is paid for all transactions in and out of Japan, 2 percent. But because of the size of the 1011 program we, Mr. Clutter did most of that negotiation, and because I knew of our commitments to Mr. Kodama, I was trying to keep the total fees for commissions and sales expense to below 4 percent, which is a general norm I tried to achieve.

He was able to negotiate with Marubeni a fee of approximately 1 percent because of the size of the oncoming 1011 contract.

PAYMENT TO "SATO"

Senator PERCY. One of the receipts for Lockheed payments in our files is signed in Japanese, which we've had translated to Sato, S-A-T-O. Who is Sato?

Mr. KOTCHIAN. I do not know, sir.

Senator PERCY. Is it possible for you to find out and advise this committee as to who Sato is? Does Mr. Clutter know?

Mr. CLUTTER. I do not know, sir.

Senator CHURCH. I think if Mr. Clutter is to testify, he'd better be put under oath. Mr. Clutter, would you stand and take the oath?

Mr. GLENDON. He has, Senator, at the last session.

Senator CHURCH. Do you solemnly swear that all the testimony you will give in this proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. CLUTTER. I do.

Senator PERCY. Mr. Clutter, you've testified you do not know who Mr. Sato is.

Mr. CLUTTER. I don't know the documents you're referring to, Senator Percy, and I don't recognize the name. If you show us the document, it might help.

Senator PERCY. I'll ask the staff member to show you the documents so that you can identify them.

Senator CHURCH. Mr. Clutter, would you come up to the witness table if you are going to be testifying. Please take a seat, and when you respond to questions you might use the microphone, please.

Mr. CLUTTER. Senator Percy, I do not recognize this document whatsoever.

Senator PERCY. You do not. Can you identify how much the receipt certifies having received in yen?

Mr. CLUTTER. Well, it appears to me that there are two receipts here, sir.

Senator PERCY. Could you read both of them then?

Mr. CLUTTER. The best I can read the first one, which is dated September 2, 1974, it looks to me, it's in the amount of 30,345,000 yen.

Senator PERCY. That translates at that time the rate of exchange was—I've forgotten—

Mr. CLUTTER. Well, I think there is a notation here. I do not know who put it on, but a notation at the rate of 289 apparently at the time, which would have been approximately \$105,000.

Mr. KOTCHIAN. Oh, I recognize this transaction now, sir.

Senator PERCY. Oh, you do?

Mr. KOTCHIAN. The name you gave was not correct, because it's—

Senator PERCY. Could you describe then the transaction, in fact, both of them?

Mr. KOTCHIAN. I think it is. I think it is one transaction, Senator. I'm not positive. One is in English, and one is in Japanese, and it could well be that one is—that they are essentially the same. The second one is—

Senator PERCY. One is 60 million and the other one is 30 million.

Mr. KOTCHIAN. I don't know anything—I don't recognize the 60. I recognize the 30 million yen, and I believe that this was related to—we were trying to firm up the contract. This was handled by another man, not myself, but I recognize the transaction. To firm up the contract for an additional eight airplanes, and there was a payment to the airline on—usually when we sell airplanes, we provide a public relations allowance of so much per airplane, and I think this relates to it, to the ANA Airline.

Senator PERCY. Yes, on page 76—from our own notes there is a notation that has been made. Who initialed and who signed 90 units and 30 unit receipts, respectively, and there's a cross reference to T or Kubo, member of the sales agents Marubeni. Could you explain that?

Mr. KOTCHIAN. Which one are we at now?

Senator PERCY. As to what 90 units are and what 30 units are.

Mr. GLENDON. Senator Percy, could we have the number of that page?

Mr. MEISSNER. The page number would be 46 and 47.

Mr. KOTCHIAN. I don't have anything in my book like that.

Senator CHURCH. There is another transcript, I think, from which Senator Percy is quoting.

Mr. KOTCHIAN. Would you repeat the question, sir?

LOCKHEED PAYMENTS THROUGH I-D CORP.

Senator PERCY. Maybe you could answer that for the record then. We would like for the record as full an explanation as possible of these two receipts that you have. I'd like to, finally on Japan, we'd like to identify because there are references in the documents to I-D Corporation, what does I-D stand for? Where is it incorporated, and what is Lockheed's relationship to it?

Mr. KOTCHIAN. I do know what it stands for, sir. It is the name of the company.

Senator PERCY. And what is Lockheed's relationship to the company?

Mr. KOTCHIAN. To the best of my knowledge, it's incorporated in Hong Kong, and it has done work for us, and some of the political things we have been talking about, it furnished receipts to cover the particular activity.

Senator PERCY. What, exactly, is Lockheed's relationship though, and who owns it? How is it incorporated?

In other words, what I'm getting at, is it a conduit? Is it an arms' length, an independent company?

Mr. KOTCHIAN. Yes, it's an arms' length, but it's not any part of Lockheed. It's a separate—

Senator PERCY. It's not part of Lockheed?

Mr. KOTCHIAN. It's not part of Lockheed.

Senator PERCY. Who was involved in deciding to hire I-D and why?

Mr. KOTCHIAN. I guess I don't know, sir. They've been doing things for us. The first time it came to my attention that they were doing something for us in Indonesia, but I don't know who—

Senator PERCY. Can you describe again what kind of things I-D did out of Hong Kong?

Mr. KOTCHIAN. Well, they—I think in the case of Indonesia, we were, we were trying to modify some C-130's that belonged to the Indonesian Government, and we had an operation in Singapore where they were going to be modified, and I think I-D provided some assistance in getting that contract for our Singapore base. I think that's what—

Senator PERCY. Was I-D ever used to launder funds for political contributions or political payments?

Mr. KOTCHIAN. No, I guess I don't—

Senator PERCY. To Indonesia, to Japan?

Mr. KOTCHIAN. Well, they provided—they provided receipts for some of the payments made in Japan.

Senator CHURCH. Those receipts were false, falsifications, weren't they, to cover what the payments really were all about?

Mr. KOTCHIAN. Yes, I guess, yes.

Senator CHURCH. Yes, the answer is yes to that.

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. And that was the principal reason he was employed?

Senator PERCY. How much money was paid I-D since it was hired by Lockheed and who was the manager or the person in Hong Kong that had the responsibility for carrying out these functions for Lockheed?

Mr. KOTCHIAN. To the best of my review, since we've been looking at this, there were these two payments that you referred to earlier out of the bank account of about, I think it was a payment of \$26,000 and \$27,000, something like that, sir.

Senator PERCY. How much of that money was specifically, if any, for the L-1011 campaign?

Mr. KOTCHIAN. I think the bulk of it, sir.

Senator PERCY. Was that in Japan?

Mr. KOTCHIAN. Yes, sir.

Senator PERCY. On page 2 of the July 7, 1975 Arthur Young presentation to the Board of Directors, a payment of \$2,837,000 from 1970 to the present is mentioned as being channeled by marketing consultants to various recipients at the direction of Lockheed employees. Was this the I-D Corporation?

Mr. KOTCHIAN. The bulk of that—well, the major portion of that was I-D, but there are some other things in there.

Senator PERCY. Who were the recipients?

Mr. KOTCHIAN. Let me look it up, please. [Pause.]

Senator PERCY. Can you supply it for the record, then, Mr. Kotchian, the recipients?

Mr. GLENDON. No.

Senator PERCY. You do not have any records of the recipients?

Mr. GLENDON. Senator, I think that's within the terms of our understanding.

Senator PERCY. I see. There were, in other words, no nongovernmental recipients? Is that correct?

Mr. KOTCHIAN. No, there were in that amount—let me get the exact figures.

Senator PERCY. I think this reference is made to the understanding there is no limitation on what can be supplied by Lockheed to the committee. There is an understanding with respect to what the committee releases or requests Lockheed to release, so that I would renew the request that we be supplied, to the extent that you have those records available, with the recipients of those funds.

[The following information was subsequently supplied:]

ROGERS & WELLS,
Washington, D.C., February 25, 1976.

Hon. CHARLES H. PERCY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR PERCY: This acknowledges your letter of February 17, 1976. It appears that a misunderstanding may exist as to a statement I made at the recent Lockheed hearings and to which your letter refers.

My concern, as reflected at page 61 of the transcript, was that your question seemed to call for a public disclosure by Lockheed of the names of foreign government officials. I believe that the public record reflects a consistent Subcommittee policy of not requiring the naming of specific foreign government officials who were or may have been the recipients of questionable or improper payments.

In the continuing discussions which we have had with the Subcommittee staff in the last seven months, there have been numerous confirmations of this Subcommittee policy. To my knowledge, no contrary position with respect to the public disclosure of the names of foreign government recipients has been taken by any Subcommittee

member or any staff member during this period. It was to this expressed policy of the Subcommittee that I referred in describing Lockheed's "understanding" with the Subcommittee about the naming of foreign governmental officials.

Your current request for information relating to the recipients of certain Lockheed funds in Japan is being carefully reviewed by Lockheed. One very serious problem is that Lockheed, it is our understanding, does not know with certainty to whom these funds may have actually flowed. There is considerable reluctance, as I am sure you can appreciate, to pass on hearsay or double hearsay information about any Japanese officials, particularly in the current atmosphere where the mere mention of a name could have such serious consequences for these individuals—whether or not they in fact received any improper payments.

I look forward to the opportunity to discuss these matters further with you and the other members of the Subcommittee in the near future. Lockheed is now working with the Subcommittee staff to provide certain additional witnesses in executive session to supplement the record as regards the F-104 program and the allegations of Ernest Hauser. Perhaps it would be appropriate to present our position with respect to the Japanese information at that time.

Respectfully,

WILLIAM R. GLENDON.

Senator CHURCH. I think we might even now, Senator Percy, get the basic answer to your question. Here we have a case of the I-D Corporation, whose principal function is to launder the money which that corporation pays in turn to certain key people in Japan, and false receipts are furnished to cover or camouflage these payments.

Now, how much of this money was paid to government officials in Japan of the total of \$2 million—what is it?

Senator PERCY. \$2,600,000, a little over \$2.5 million.

Senator CHURCH. A little over \$2.5 million

Mr. KOTCHIAN. I'm not clear on what the question is, Senator.

Senator CHURCH. Well, how much of the \$2 million, roughly, \$2.5 million—

Senator PERCY. \$2,837,000.

Senator CHURCH [continuing]. \$2,837,000 was channeled through the I-D Corporation which kept false books?

Mr. KOTCHIAN. It did not go through the I-D Corporation, sir.

Mr. LEVINSON. Well, that's the whole point, isn't it?

Mr. KOTCHIAN. Well, I was trying—

Senator CHURCH. Will you explain how this money was managed then? How was it transferred and to whom was it paid?

Senator PERCY. Could I refine the question this way? Were the payments made directly by Lockheed, but for book purposes receipts were provided by I-D to Lockheed?

Mr. KOTCHIAN. Yes, sir, that's the way it was done.

Senator CHURCH. Oh, I see, all right.

Mr. KOTCHIAN. Thank you.

Senator CHURCH. Payments were made directly by Lockheed; the I-D Company furnished the cover receipts?

Mr. KOTCHIAN. We did not make the payments directly, sir. We were making them through other people.

Senator PERCY. They provided the cover for them?

Senator CHURCH. They provided the cover, I-D?

Mr. KOTCHIAN. Yes.

Senator CHURCH. Now, to whom were these payments made?

Mr. KOTCHIAN. Well, there was that one we talked about earlier, the payment to government officials that went through the official from Marubeni.

Senator CHURCH. Can you tell us how much money went to Japanese government officials?

Mr. KOTCHIAN. My memory is that it was approximately \$2 million.

Senator CHURCH. Approximately \$2 million.

SMITH TO VALENTINE LETTER RE PAYMENTS IN ITALY

Senator PERCY. Now, Mr. Chairman, I'll finish up with the section. As I explained to Mr. Kotchian, when I was reading these documents one night, and I came across a letter on page 71, I found this one of the most shocking and revealing letters, an internal document, obviously never intended to be made public, and the writer even said, hold on to your seat occasionally because he thought what he was about to say was going to shock the recipient of the letter.

On page 71, this letter dated March 28, 1969, was addressed to Mr. Charles Valentine, identified as Director of Contracts, Lockheed of Georgia Company, and inasmuch as we did discuss this yesterday, and I told you of my interest in the implications of the letter, could you first identify who Roger is? Who signed the letter?

Mr. KOTCHIAN. His name is Roger Smith. He used to be our general counsel and vice president, general counsel. He retired and moved to, took up residence in Paris. and we retain him as a consultant.

Senator PERCY. He used to be vice president and general counsel of Lockheed?

Mr. KOTCHIAN. Yes, sir.

Senator PERCY. And he then retired and took up residence in Paris. Did he continue to work for the company, on behalf of the company?

Mr. KOTCHIAN. Yes, sir.

Senator PERCY. And on what sort of a basis was he retained or paid?

Mr. KOTCHIAN. He was paid as a consultant, as a consultant.

Senator PERCY. Was it at a compensation level that would enable him to increase his income over what he made before?

Mr. KOTCHIAN. No, it was less than what he was making when he was——

Senator PERCY. Does he have other clients then, customers and set up a company?

Mr. KOTCHIAN. No, when he retired he got his retirement pay, and he wanted to live in Europe.

Senator PERCY. What was his retirement age, then, when he went there?

Mr. KOTCHIAN. I—my impression, sir, is that he was not our regular retirement age of 65, but I think he retired like 62, something like that.

Senator PERCY. Yes, he retired early then?

Mr. KOTCHIAN. Yes, sir.

Senator PERCY. And with what firm in Paris did he become affiliated?

Mr. KOTCHIAN. He didn't—he wasn't with any firm at that time, it's best recollection.

Senator PERCY. Has he had any connection, or does he have any connection with any firm subsequently to that?

Mr. KOTCHIAN. Yes, sir, I believe so.

Senator PERCY. And what firm is that?

Mr. KOTCHIAN. I believe it's Coudert Freres.

Senator PERCY. On page 73 under section B there is a reference to Ovidio——

Senator CHURCH. Excuse me, Senator, may I just clarify—is that the same Coudert firm you were previously talking about?

Mr. KOTCHIAN. Yes, sir, to the best of my knowledge.

Senator PERCY. Thank you. There is reference to Ovidio Lefevbre. Who is Ovidio Lefevbre? Who is the individual? What's his relationship to Lockheed?

Mr. KOTCHIAN. The name is Ovidio Lefevbre, and he is our consultant, for Rome.

Senator PERCY. He is a consultant retained by Lockheed in Rome?

Mr. KOTCHIAN. Yes, sir.

Senator PERCY. The letter mentions the payment of as much as \$120,000 per plane for the Kumshaw-Pot, and I would just like to look at the phraseology. He said, hold on to your seat because what follows may be a shocker to you, and then he mentions \$120,000 per plane. Now, what is a Kumshaw-Pot?

Mr. KOTCHIAN. I do not know, sir. I understand the implications of it. It's——

Senator PERCY. How do you, as an executive, understand the implications of it?

Mr. KOTCHIAN. Like Kumshaw is something that you give to get something done.

Senator PERCY. Why would \$120,000 per copy be such a shock then? What was the usual Kumshaw-Pot?

Mr. KOTCHIAN. To answer your question, could I make a little lengthy answer?

Senator PERCY. Of course.

LOCKHEED ITALIAN SALES CAMPAIGN

Mr. KOTCHIAN. I participated in this campaign in the early stages in 1969, right about the same time I was working in Europe on the 1011. We had lost a sale of P-3 airplanes in The Netherlands which was a very important sale. We lost it to the French Atlantique. We immediately took the people who were working that campaign to Italy out of Rome on a campaign to sell the Italians the P-3 airplanes.

Here, again, we lost to the French with the Atlantique. Our man, Mr. Wilder, who was mentioned earlier, was approached by an Italian Senator in the Italian Senate and told us we should obtain a consultant in Rome if we wished to sell airplanes.

Senator PERCY. Could you go back though as to why you lost to the French? Did you lose to the French because of the technical superiority of their plane, or did you lose because they paid more in your judgment?

Mr. KOTCHIAN. In my judgment it was the latter because our airplane was much superior.

Senator PERCY. In other words, an inferior product was purchased because they were willing to pay more and those were the circumstances that you faced, then, in your campaign in Italy?

Mr. KOTCHIAN. Yes, sir.

Senator PERCY. Were the Germans involved? German competition involved at all?

Mr. KOTCHIAN. No, the Germans were not in that. That was the French Atlantique. Then I was trying to get to identify the gentleman, so we did hire then Mr. Lefevbre to be our consultant, and his fees were, as consultants go, quite reasonable, and I think that was the reason when we were faced with added costs that Mr. Smith used this colorful language.

Senator PERCY. Could you further identify the French company? What company is this you were competing against and is the government involved in this company at all?

Mr. KOTCHIAN. I do not recall who was the manufacturer of the Atlantique; as I remember it, it was a private company, the Briguet Co., but since that time French industry has been consolidated and where Briguet fits at the moment, I am not quite clear. There are basically two companies in France at the present time, the Dassault Company, which is a private company, and Briguet.

Senator PERCY. But at the time these payments were made by them—

Mr. KOTCHIAN. I didn't say payments were made by them.

Senator PERCY [continuing]. In your judgment it was a private company, not a government company?

Mr. KOTCHIAN. But I didn't say that payments were made by them. It was my impression—

Senator PERCY. Yes.

DEMANDS FOR PAYMENT IN ITALY

Now, when you were faced with a considerable upping to \$120,000 per copy, this is against a sales price of about, what, what percentage of the sales price would that represent?

Mr. KOTCHIAN. Well, I was there at the start of this campaign and then I left. I had never seen this letter, Senator, until I was shown it here on Tuesday afternoon. I came to the Wednesday hearing. I did not participate in this campaign. I told the man in charge of it, Mr. Egan, at that time to try to keep the commissions below 4 or 5 percent, and he was able to do this. The total value of this contract, when it was ultimately signed, as I recall, was approximately \$60 million.

Senator PERCY. \$120,000 per copy. Can you figure roughly what percentage we are talking about that?

Mr. KOTCHIAN. Well, the airplanes in those days were selling for about \$4 million, or it was in the neighborhood of 3 percent, something like that.

Senator PERCY. Yes, something like that. Now there is a word reference in this letter to "such is the nasty part of life in this area." Could you expand on that from your own knowledge over there as to the way this competition you were up against and the facts of life you had to face as an American manufacturer? What did he mean by such are the facts of life?

Mr. KOTCHIAN. While I was still in Italy, or it may have been when I went through there during this campaign, I remembered Mr. Lefevbre, who I must say is one of the finest gentlemen that I have

run into in the world, very conscientious. We were riding in an automobile, and he said, "I'm embarrassed, and I'm just chagrined, but I'm going to have to recommend to you that you make some payments if you wish to sell airplanes in this country."

Senator PERCY. In other words, you just simply couldn't, no matter how superior a product was, you couldn't sell airplanes unless a bribe was paid?

Mr. KOTCHIAN. It was his opinion, and that was the case, sir.

Senator PERCY. Yes.

FOREIGN GOVERNMENT DEMANDS FOR PAYMENT

Now, for that reason I don't know whether you know, but I have been pressing very, very hard with our Government, With both Secretary Kissinger and Secretary Simon, to take this up at OECD, that this is not a matter that is just an American problem. I might say there is a lot of silence on the part of foreign governments. They are very moral about this issue, saying tsk, tsk, tsk to American manufacturers and, yet, we're going to put it right to them now. Let's make this a matter of international code of conduct. If there's any kind of unity among nations—and certainly in the area of pollution, we have to realize we've got to do it multinationally. If we pass all kinds of laws to stop pollution of the ocean and no other country sharing those shores does it, the pollution is going to come up on our shores. We've got to do things internationally.

In your judgment, is it going to be necessary and essential to try to get at the end, the cause of all of this to have a multinational understanding? Should we have each country adopt a code of ethics or a law that would prohibit this kind of practice? If we're ever to get down to the bottom of it, I tend to think corruption is going to do more to bring down democracies around the world than almost anything else.

There is no credible way that we can justify to our citizenship that we can allow corruption and have corruption in our form of government, when that is one element, and so many other things the totalitarian governments stamp out, including freedom, liberty, and other, something else.

Mr. KOTCHIAN. I would subscribe to that part of it.

Senator PERCY. Somehow, they've gotten rid of corruption. They're beating us over the head with this corruption issue, making us look like we're the only ones doing it.

We were children in the American business enterprise and the business field, compared to the longtime practices that have gone on through the centuries in this area. And here we have absolute, direct testimony now that, as an industry, you simply could not do business unless you did business the way they were doing business. Is that correct?

Mr. KOTCHIAN. That's right, sir. That's the only reason we've done this. We don't condone this. In our judgment it was the only way we could sell our product.

LOCKHEED CODE BOOKS

Senator PERCY. On page 74, there is a reference to Antelope Cobbler, and it says, "get out your little black book. Mine is dated October 15, 1965." What is the little black book? Did Lockheed have code books carried by employees? How did the system actually work?

Mr. KOTCHIAN. Yes, sir, we do have code books. We—the reason he said, the black book, is because one period it's a brown book, then it's a green book, and in that period apparently it was black.

Senator PERCY. What's the purpose of the codes?

Mr. KOTCHIAN. In sending cables that we have to communicate with, we use the code to avoid our competitors finding out what we're doing.

Senator PERCY. Was Antelope Cobbler a public official?

Mr. KOTCHIAN. I do not know. I do not recognize that, and I haven't seen this before.

Senator PERCY. Can you—is there anyone that can testify as to who Antelope Cobbler is?

Mr. KOTCHIAN. I'm sure it's a matter of record to go look at that code book on that date and find that out.

Senator PERCY. If we could have supplied for the record an identification of him?

Mr. KOTCHIAN. Yes, sir.

[The information referred to is on p. 417.]

ENVELOPE LEFT WITH LAWYER IN PARIS

Senator PERCY. Again, on page 74, there is a procedure suggesting that information be deposited with a Parisian lawyer addressed to the President of LAC in case of death. Who was the president of Lockheed in March 1969?

Mr. KOTCHIAN. That would have been myself, sir.

Senator PERCY. And who do you believe were the Parisian lawyers? What firm is that?

Mr. KOTCHIAN. Well, I don't know, sir.

Senator PERCY. Who were Lockheed's lawyers at the time in Paris?

Mr. KOTCHIAN. I have my chief——

Senator CHURCH. Was it Coudert?

Mr. CLUTTER. I don't know.

Mr. KOTCHIAN. He says he doesn't know, and I don't know.

Senator PERCY. Well, if you could supply it for the record then, the name of the law firm. [See p. 417.]

REPERCUSSIONS OF LOCKHEED PAYMENTS IN ITALY

Senator PERCY. And then, finally, with respect to Italy, the last paragraph which begins, "I apologize for the length of this. I hope you will keep this letter on a very," underlined, "strict need-to-know basis with respect to your compatriots. As for the compensation to third persons, in part we are dealing with dynamite that could blow Lockheed right out of Italy with terrible repercussions."

Do you feel that those repercussions could be any worse than those that are being suffered by Lockheed and its officers right now?

Mr. KOTCHIAN. Well, this is what the gentleman was referring to, sir. Could I make one comment about——

Senator PERCY. Of course you can.

Mr. KOTCHIAN. We subscribe very much to what you said about a multinational approach to this problem. I would like to point out, though, that it's not—you implied that we didn't face competition of this type from totalitarian governments, and we do because I have engaged in competition in various areas where this is a problem, as well as with other operations.

Senator PERCY. I want to thank the Chairman and thank our witnesses and counsel for their cooperation.

Senator CHURCH. Thank you very much, Senator Percy. I'd like to just ask a few more questions about Italy. Then I want to turn to the Turkish payments.

LOCKHEED CONSULTANTS

Now, as I understood your testimony, Lockheed's—the agent for Lockheed in Italy was——

Mr. KOTCHIAN. I don't like the word "agent" sir. I don't mean to quibble, but sometimes agents are thought to act for the company, and we prefer to say they're consultants because they only do things at our direction.

Senator CHURCH. All right, then, I'll use your term. The consultant was Ovidio Lefebvre, right?

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. And he was under contract with your company?

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. Why did you need additional consultant agreements in Italy with a Swiss firm and a Panamanian firm and still another Italian firm? Now, the Swiss firm was Ikaria establishment, the Panamanian firm was Tezarefo, and the Italian firm was El Sp.A? Can you help me with those names?

Mr. KOTCHIAN. I don't know the names, Senator, and I never saw these names until this document that you've labeled Number 78 and Number 79 was shown to me last July or August.

Senator CHURCH. So, you didn't know that Lockheed had retained these additional firms?

Mr. KOTCHIAN. No, sir.

Senator CHURCH. Were you told what services these firms performed for Lockheed in connection with the C-130 sale?

Mr. KOTCHIAN. No, sir, not in specifics. I was told that the, as I mentioned earlier, Mr. Lefebvre, Lefebvre had told me that they were going to have to make some payments to some government officials.

PAYMENTS TO ITALIAN OFFICIALS, POLITICAL PARTIES

Senator CHURCH. I see. These payments were then made through——

Mr. KOTCHIAN. This is what I presume now, sir.

Senator CHURCH [continuing]. Lefebvre to these particular fronts really, weren't they?

Mr. KOTCHIAN. That's what I find out now, sir.

Senator CHURCH. Were these fronts for the Christian Democratic Party?

Mr. KOTCHIAN. I do not know, sir.

Senator CHURCH. Well, do you know were they fronts for some political party?

Mr. KOTCHIAN. I do not know.

Senator CHURCH. Do you know whether the payments were made to these fronts for purposes of having the money passed on to political parties or to Italian Government officials?

Mr. KOTCHIAN. I did not participate in that. The only knowledge I had of this was of the increased cost of making the sale, and I had, when they told me that they thought they could do it for approximately \$2 million on a \$60 million sale, I thought the 3½ percent—I mean, 3 or 4 percent—would be adequate. We had some problems with the payments of, the timing of the payments, and I remember people coming to me and it was very important that we get this order because our C-130 line was running out of lead time, and I authorized some payment of these commissions on an earlier basis than would have ordinarily been done.

Senator CHURCH. Now, the total commissions, so-called, that you paid exceed \$2 million, did they not?

Mr. KOTCHIAN. I think the figure—

Senator CHURCH. I'm quoting now your figures from page 68.

Mr. KOTCHIAN. 68?

Senator CHURCH. And I read the figure \$2,018,000.

Mr. KOTCHIAN. Yes.

Senator CHURCH. And under that I read more than 85 percent of this is for the Minister's political party.

Mr. KOTCHIAN. I had never seen this document, sir, until Tuesday.

Senator CHURCH. Well, are you in a position to deny that this was the way the money was spent?

Mr. KOTCHIAN. I don't think I can either confirm or deny, sir. I know that there were payments made to government officials, and we so notified the SEC last summer, out of that \$2 million, but, other than that, I am not aware of the details.

FINANCING OF ITALIAN C-130 SALES; U.S. GUARANTEES

Senator CHURCH. How were the C-130 sales in Italy financed?

Mr. KOTCHIAN. We had, as we often do, well, I believe they paid for them, that they—

Senator CHURCH. Were there any U.S. Government guarantees?

Mr. KOTCHIAN. I don't recall any, sir.

Mr. LEVINSON. Wasn't this an Ex-Im bank guaranteed transaction?

Mr. KOTCHIAN. I don't believe so. I don't believe so. There may have been—sometimes we have a consideration for what's called "bridge financing" where their budget time has not come up yet and they make a loan to their government agency, and I think this is what IMI is referring to, the bridge financing.

Now, there might have been some government guarantee in connection with that bridge financing, but it's not an Ex-Im type of financing, to the best of my knowledge, because sometimes it's—but I don't believe, you see, Ex-Im will never loan on a so-called military airplane. The C-130 is; however, we do sell another version of the airplane which is certificated for civil use as the L-100, and that the Ex-Im has financed from time to time, but this particular aircraft was the C-130.

Senator CHURCH. The United States Government does, however, underwrite the guarantee credit to foreign governments for the purchase of military aircraft, as you know, and there was no U.S. Government guarantee, I think, of that kind involved in the sale?

Mr. KOTCHIAN. None that I know of, sir.

SIZE OF PAYMENT TO ITALIAN OFFICIALS

Senator CHURCH. Did you regard the \$2,018,000, which you have described, as going to government officials, though you did not know the details, as excessively high for the size of the contract?

Mr. KOTCHIAN. Well, at the—we had engaged Mr. Lefevbre to act as our consultant. We started out hoping that it would be a very modest type of commission, and I kept being told that the rate was going up, but when I was finally told that it could be accomplished for approximately \$2 million, this, to me, was in the, was in the area of normal sales expense that we run into in most countries.

Sometimes it's a half of 1 percent, and it can be up to 10 percent or above.

Senator CHURCH. So, you were satisfied that in this case—

Mr. KOTCHIAN. That was my—at that—I knew that there were government officials involved in this thing, but my main focus at that time, as it is in most cases, is to make sure that the total amount is reasonable for the business purpose that we're trying to accomplish.

Senator CHURCH. And you felt that \$2 million paid to Italian government officials was reasonable, within the ball park?

Mr. KOTCHIAN. No, I felt that \$2 million was a reasonable sales expense for the \$60 million order. Now, maybe that's a different way to say the same thing, but—

Senator CHURCH. The testimony, in fact, speaks for itself. I think that the question I put was factual based on your testimony.

COMMISSIONS PAID TO TURKISH CONSULTANTS

Senator CHURCH. Turning to Turkey, what was the total amount of the commissions that Lockheed paid to its consultants in Turkey?

Mr. KOTCHIAN. I do not know, sir. I looked at your summary that you prepared here and it says \$876,000. And that seems in the ball-park.

Senator CHURCH. Now, if you'll turn to page 139 of the documents before you.

Mr. KOTCHIAN. I should point out that the \$876,000, I think, is over, several years.

Senator CHURCH. Yes. If you'll turn to page 139 of the documents before you, those are records to "true extraordinary expenses and to gifts." What is the distinction between true extraordinary expenses and gifts, as you understand it?

Mr. KOTCHIAN. I do not know, sir. I was not directly involved in this transaction.

Senator CHURCH. Can you tell us of the \$800,000 plus that was paid to your consultants in Turkey, what proportion represented payments to government officials in that country?

Mr. KOTCHIAN. I do not know.

Senator CHURCH. Do you know whether any of that money was paid to government officials?

Mr. KOTCHIAN. I do not know whether any was, sir.

Senator CHURCH. And you never asked what the money was being used for?

Mr. KOTCHIAN. No. The commission rate in Turkey is very modest and the services, in my view, have been—there wasn't any reason to, from my level.

Senator CHURCH. We have an internal communication here of the company which would indicate——

Mr. LEVINSON. Page 142.

Senator CHURCH. On page 142, gentlemen—would indicate that you really felt you weren't getting your money's worth from this particular consultant—if you look at the last paragraph.

Mr. KOTCHIAN. Well, that's——

Senator CHURCH. Let me just read this from the last paragraph, and this has to do with the subject of the memo as consultant arrangements, Turkey. And the last paragraph reads: "a more serious concern is that there is little indication that he is offering really significant inducement at decisionmaking levels."

Mr. KOTCHIAN. Well, this is a——

Senator CHURCH. So you weren't really satisfied that he was getting through to the right people in the government, is that what that means?

Mr. KOTCHIAN. Well, the people that wrote this memo felt that; and that's the general feeling of our field and sales people.

Senator CHURCH. Then reading on, from the same paragraph: "as you know, this rewording, although limiting our exposure, will assure Nezih of a fairly adequate amount with which to buy real influence, not just intelligence, for which the above expenditures are being used."

So, you're being asked to make new arrangements involving, I suspect, added money so that he can buy real influence. Now can that be interpreted any other way than getting the money to the right Turkish officials, to buy the influence?

Mr. KOTCHIAN. I think it can, sir.

Senator CHURCH. How else would you interpret buying influence, but bribing?

Mr. KOTCHIAN. This is what a man is saying, one of our employees, writing to his superior. He was trying to justify an increase in the allowance given to a field consultant.

Senator CHURCH. Right.

Mr. KOTCHIAN. They don't necessarily——

Senator CHURCH. He says, "we should increase the amounts in order that we can get more intelligence, so that we can buy influence with the right ministers of the government."

Mr. KOTCHIAN. I don't know that this man was buying any influence just because this man says that.

Senator CHURCH. That's the reason that he's asking for more money, isn't it?

Mr. KOTCHIAN. Yes; he may have asked for more money, but——

Senator CHURCH. It certainly doesn't collide with the pattern of payoffs that we've already encountered in Lockheed's dealings with other governments, does it? It's part of the pattern, isn't it?

Mr. KOTCHIAN. I think the pattern here was that the people in charge of this sales campaign didn't think they were getting the right kind of representation from their consultants at the rate they were paying. And they were asking for an increase in the allowance so that he could do more work.

Senator CHURCH. So that he could buy influence.

Mr. KOTCHIAN. Not necessarily.

Senator CHURCH. That's his term, not mine. That's what he's asking your company for the money for.

Mr. KOTCHIAN. Well, I don't know what he meant.

Senator CHURCH. Well, I do. I think the language speaks for itself.

"NICE PACKAGE PRESENT" BROUGHT TO BURBANK

Turning to page 141 of the documents, what is the "nice package present?"

Mr. KOTCHIAN. I do not know, sir.

Senator CHURCH. Brought to Burbank—that is referred to in a letter from the Turkish agent.

Mr. KOTCHIAN. 141?

Senator CHURCH. 141.

Mr. KOTCHIAN. I do not know, sir.

Senator CHURCH. You don't know what is meant by the "nice package present" that was brought to Burbank? That's the headquarters of the company, isn't it?

Mr. KOTCHIAN. Well, yes. But we have 60,000 employees, Mr. Chairman. And I don't know of anything that, at that time—

TRANSFER OF ITALIAN F-104'S TO TURKEY

Senator CHURCH. During the period when the U.S. arms embargo had been voted by the Congress against Turkey, was there a transfer of F-104s from Italy to Turkey?

Mr. KOTCHIAN. I don't—I'm not sure of the exact timing, but anything we did in the way of 104s from Italy to Turkey was done with the full approval of the U.S. State Department.

Senator CHURCH. I believe the facts will bear out that this transfer of aircraft to Turkey did take place during the period when the Congress of the United States had placed an embargo upon the further transfer of aircraft to Turkey.

Mr. LEVINSON. Perhaps what we can do is just place the timing on the record and let that speak for itself. The relevant dates are that the first limited embargo was imposed on December 17, 1974, and suspended all military assistance and sales, but allowed the President to lift the suspension until February 5, 1975.

The President, through a Presidential determination, did suspend the embargo for that limited period. The full embargo became effective February 5, 1975, and suspended all military assistance, sales of defense articles, all licenses. And this remained in effect until October 2, 1975.

In fact, what happened is that the U.S. Government gave permission to Italy to transfer a second installment of 18 F-104s on February 5, 1975; the very same day that the embargo became fully effective.

Senator CHURCH. First of all, you said you did get the full approval of the State Department?

Mr. KOTCHIAN. Yes, sir.

Senator CHURCH. Well, what do you have in the way of communications between the Lockheed company and the State Department on this subject? Can you furnish those communications? If you do not have them with you, can you furnish them to the Committee?

Mr. GLENDON. We'll furnish them.

Mr. KOTCHIAN. Yes; I believe we can.

Mr. GLENDON. I believe we have furnished them.

Senator CHURCH. I hope you will furnish them.

Mr. KOTCHIAN. Well, we'll make sure that you either have them or we will furnish them to you. [See p. 417.]

Mr. KOTCHIAN. We do our best to comply with all such rules and regulations of the U.S. Government.

Senator CHURCH. The thing that I'm concerned about here is not the fact that Lockheed advised the State Department and received its approval, but that the State Department was evidently engaged in an end run around the Congressional effort to cut off further arms supplies to Turkey. I believe that would appear to be documented by this evidence.

REPERCUSSIONS INSIDE NATO

We've been discussing payoffs of various kinds to government officials, political parties and highly placed executives in foreign airlines, and military officials in countries that are part of NATO. Did you ever think about what this meant if NATO is in fact essential to the defense of the United States, as we have thought it to be, as well as to the defense of western Europe—were you ever concerned that if highly placed generals in the air forces of these NATO allies were receiving bribes, that this would put them in jeopardy of being blackmailed?

Did you ever think about the security consequences of the United States and to its allies from dealings of this character?

Mr. KOTCHIAN. Not in that context, Senator.

Senator CHURCH. But you can see how corrupt practices of this sort could affect the alliance itself? And men in high authority could be compromised, blackmailed, or otherwise intimidated.

Mr. KOTCHIAN. Yes. But I face the situation that I can see foreign countries selling what I think are admittedly inferior products to our allies, and I was being told by people whose opinion I respected that we weren't doing what was necessary to make the sale.

Senator CHURCH. But this really isn't strictly a commercial question, is it? It's a question of—

Mr. KOTCHIAN. Well, I think—

Senator CHURCH [continuing]. Of great political importance because it relates to the security of western Europe.

Mr. KOTCHIAN. Well, I think the security is—

Senator CHURCH. I just want to ask you this question. When you say you went to the State Department and informed them when you transferred these F-104's from Italy to Turkey, and got their permission, did you ever tell the State Department about these payoffs in connection with any of these NATO allies, or Japan, which is also thought to be a very important ally of the United States, the

part of the global security arrangements upon which the western world relies?

Mr. KOTCHIAN. No, sir.

Senator CHURCH. I think I have no further questions. Senator Clark, do you have questions?

LOCKHEED LOAN GUARANTEE: ROLLS ROYCE AGREEMENT

Senator CLARK. Just a couple, Mr. Chairman. Mr. Kotchian, I'd like to explore the activities of the Lockheed Corporation during the period in which you were requesting a quarter of a million dollars in loan Guarantees from our Government. And I think your request was before the Emergency Loan Guarantee Board. It is correct, isn't it, that in late 1970 Lockheed asked for such a guarantee?

Mr. KOTCHIAN. It was in 1971, in the spring of 1971.

Senator CLARK. In the spring of 1971. You had not approached the Government prior to that time?

Mr. KOTCHIAN. I did not, to the best of my knowledge. It was occasioned by the collapse of the Rolls Royce Company in England, which occurred on February 1, 1971. And in reconstituting the Rolls Royce Company, the British Government wanted some assurances from the U.S. Government as to Lockheed's financial viability. And that's what started it.

Senator CLARK. And what was your position at that time?

Mr. KOTCHIAN, I was president of the corporation.

Senator CLARK. And you were responsible then for the decision to request the loan? You concurred in that?

Mr. KOTCHIAN. I concurred. It was a joint decision made by the management and also our banking associates thought it would be an advisable decision.

Senator CLARK. As you said, in February 1971, the Rolls Royce Corporation of England was also on the verge of bankruptcy.

Mr. KOTCHIAN. It did go into bankruptcy in February.

Senator CLARK. Now is it correct, in May then, that would have been 3 months later, that Rolls Royce and Lockheed entered into a new deal, subject to congressional approval, of that \$250-million loan guarantee?

Mr. KOTCHIAN. No, I don't—

Senator CLARK. There was no new arrangement arrived at 3 months later, after you made the application for the guarantee?

Mr. KOTCHIAN. I don't think there is any necessary relationship there.

Senator CLARK. Well, I wasn't talking about a relationship, but whether you—

Mr. KOTCHIAN. We negotiated a rearrangement with the Rolls Royce Company, subject to British Government approval, and British Government approval in effect was contingent upon our getting a U.S. Government guarantee for the continuation of our project. They were somewhat interrelated. But—

Senator CLARK. Well, I guess—let me ask the question again to make sure I understand. Is it correct that in May of 1971, Rolls Royce and Lockheed entered into a new arrangement, subject to the congressional approval of the \$250-million loan?

Mr. KOTCHIAN. I don't know that that was a specific contingency; but it was going to be helpful to make it happen. I don't recall that it was actually specified as a condition precedent to the establishment of the arrangements.

Senator CLARK. You don't remember whether it was or was not?

Mr. KOTCHIAN. I don't either way.

Senator CLARK. Now, is it correct to assume that the prospect of a Rolls Royce deal with Lockheed became very much a part of the argument that Lockheed used to persuade Congress to approve the \$250 million loan program? Did you use that argument?

Mr. KOTCHIAN. Yes, I believe so. To the best of my recollection, we did, because we had to have the arrangement with Rolls Royce because they were providing the engine which went on our 1011 airplane; and without those it was not a heavy airplane.

Senator CLARK. Now that leads me to the question, really, was there any payment made to a British official?

Mr. KOTCHIAN. No, sir.

Senator CLARK. To get Rolls Royce to go along with the deal, in order to get Congress to pass the loan guarantee?

Mr. KOTCHIAN. No, sir.

Senator CLARK. No payment of any kind, direct or indirect?

Mr. KOTCHIAN. No, sir.

PURPOSE OF PAYMENTS TO KODAMA

Senator CLARK. And I would like, second, and I have only two areas of questions—to talk to you about Japan, generally. Against the same background as we've talked about, of the Lockheed request for a \$250 million loan with our Government, I notice that on page 49 of the Young audit documents, Lockheed payments are listed there, as I think the chairman mentioned earlier, to a Mr. Yoshio Kodama, which seem to increase significantly in the period from 1971 to 1972. For example, while he earned some \$200,000, a little more than \$200,000 in 1968; \$180,000 in 1969; \$100,000 in 1970; it was around this range of \$100,000 to \$200,000. He suddenly became a very important person; went to \$400,000; and suddenly in 1972, to \$2.25 million.

My question, sir, is whether Mr. Kodama—what did he do in that period that made him worth so much to you?

Mr. KOTCHIAN. Well, I went into that in some detail in answer to Senator Church.

Senator CLARK. I'm sorry. Make it just a very brief answer then.

Mr. KOTCHIAN. Well, it's hard to make it brief because it was a long period of time. He worked for us for a 15-year period and beginning in 1968, we were on an extensive campaign to sell the 1011 airplane in Japan to two different airlines, Japan Airlines and All-Nippon Airlines. And those sales campaigns increased in intensity, in the numbers of people we had in Japan, in 1969, 1970 and 1971, with the conclusion of the campaign in 1972.

And his assistance to us was to give us advice on who we should talk to; what our sales strategy and campaigning should be. When we ran into difficulties, he was helpful in getting that straightened out because once in a while—well, not once in a while, very often,

with the language barrier, you have a problem where you don't know—that you're in trouble; that you need somebody to call a lot of people and talk to them about it.

We ran into the big item, that was the sales campaign; that was the environmentalists' acceptability of the new wide-bodied airplanes. And we, with him, worked on the environmental issue because our airplane was the quietest and this became one of the campaign issues which he helped us on.

Senator CLARK. Is it not a fact now that at the very time you were holding up the All-Nippon airway deal, as part of the salvation of Lockheed, I believe you subsequently sold the 40, or rather subsequently bought 40 and had another 20 L-1011's on order. You were, in fact, paying handsomely through these channels to deal in All-Nippon decision?

Mr. KOTCHIAN. Well, we were—your numbers are not exactly right, Senator. The total quantity that was negotiated at that time was 21 aircraft.

Senator CLARK. Twenty-one?

Mr. KOTCHIAN. That's what they bought. And it was an important order and we were working on it for 3 or 4 years. And the agreement with Mr. Kodama was when we were successful, if we were successful, he would receive the bulk of his payment. And that's the reason in 1972—we were successful—and that's the reason the payments increased in that year.

Senator CLARK. Because he was able to help you, his payment was \$2.5 million?

Mr. KOTCHIAN. Yes, sir, in that area.

DISCLOSURES OF KODAMA ACTIVITIES

Senator CLARK. Now, did you or anybody from Lockheed tell the loan board about this?

Mr. KOTCHIAN. Not to my knowledge, sir. We did not talk about the commission arrangements that we have around the world—were not a matter for discussion.

Senator CLARK. In other words, while negotiating with the loan board on a \$250-million guarantee, and holding out the All-Nippon airways purchase as a significant factor in the salvation of Lockheed, you were paying, without telling the board, a Japanese agent to delay this decision to the tune of about \$2.25 million?

Mr. KOTCHIAN. No, it wasn't to delay the decision, sir. The decision was made in the year—the payment of the \$2 million was in 1972. The loan negotiations were in 1971, the guarantee negotiations.

Senator CLARK. The two were in no way connected?

Mr. KOTCHIAN. No, sir.

Senator CLARK. Thank you. Thank you, Mr. Chairman.

Senator CHURCH. You have no further questions, Senator Clark?

Senator CLARK. No, sir.

Senator CHURCH. I would like to ask you gentlemen if you would remain, if you would come in to the next room for a very short executive meeting, during which I would like to discuss another matter that we cannot now make public. I need to have a consultation with you before the committee takes it up and reaches a decision. But this will conclude the public hearing.

[Whereupon, at 12:28 p.m., the committee recessed, to reconvene subject to the call of the Chair.]

[The following information was received subsequent to the hearing.]

LOCKHEED AIRCRAFT CORPORATION

BURBANK, CALIFORNIA 91503

June 17, 1975

Jack E. Blum, Esq.
Senate Foreign Relations Committee
Room 4229
Dirksen Senate Office Bldg.
Washington, D. C. 20510

Dear Mr. Blum:

As I explained on the phone, John Martin and I were in Washington on Friday, June 13, 1975, and did not have an opportunity to find as many answers to the questions you had raised as we had hoped. As I mentioned to you in our telephone conversation, a member of our legal staff has gone to Europe to contact Mr. Meuser in an attempt to get an explanation for the letter which he sent to Mr. Jones implying that Northrop's operation was patterned after that of Lockheed. Arthur Young & Co. and our Corporate Audit Staff have also sent representatives to Europe to review certain matters which we discussed.

However, based on information we have in hand, answers to some of the specific questions you asked are set forth below and in the attachments:

1. Weisbrod - It is the recollection of some of our people that Mr. Weisbrod was on our payroll as a consultant in the early 1960's, but we have not as yet been able to confirm this in our records.
2. Meuser - A summary of Mr. Meuser's employment history is attached.
3. Kermit Roosevelt - There is some recollection that we did have an agreement with Mr. Roosevelt at one time. Our current records do not verify this but we will attempt to provide a definite answer in a few days.

4. Jamal Zand - We have had representation agreements with companies with which Jamal Zand is associated since 28 September 1970.
5. With respect to payments to Triad, the method of payment by different divisions is set forth in the attached summary.
6. We do have agreements with representatives in Indonesia and South Korea.
7. American Institute of Economic Development - We have found no indication that this organization has ever been employed by Lockheed or any of its subsidiaries.
8. Entertainment Policy

A copy of our policy on reimbursement of entertainment costs is attached.
9. Information is being developed and will be forwarded to you as to the proportion of foreign sales which are FMS sales effected on a government-to-government basis.

As we continue our review of the matters we discussed, I will be in touch with you.

Very truly yours,



John E. Cavanagh

Vice President and General Counsel

Attachments

MEUSER, Carel Frederik Christiaan
 Employee Number 456511
 Birthdate: June 5, 1908
 Place of Birth: Amsterdam, The Netherlands

Employed by Lockheed Aircraft Corporation, California Division,
 April 26, 1954
 Retired June 30, 1973

Employment History

Period	Organization	Position
4/ 6/64- 6/30/73	LAIAG	Director, Special Projects - Switzerland
5 7/30/62- 4/ 6/64	LAIAG	Sales Representative - Foreign
2 10/16/61- 7/30/62	LAC	Sales Representative - Foreign
1 11/30/59-10/16/61	LAC	Deputy Director - Geneva
9 1/ 1/58-11/30/59	Calac	Director, Special Projects - Europe, Africa, Near East
7 1/ 3/55- 1/ 1/58	Calac	Manager - Europe, Africa, Near East
0 4/26/54- 1/ 3/55	Calac	Export Sales Representative
7 (All above positions in Europe)		
0 20 Years	KLM Royal Dutch Airlines	
0 4 Years	Royal Netherlands Air Force & Royal Air Force	

* * * * *

Consultant Agreement dated Dec. 1, 1970 between LAIAG and C. F. C. Meuser, effective July 1, 1973, continuing to Dec. 31, 1975. To provide assistance and advice to Aeronautica Macchi S.p.A. as required in agreement between LAIAG and Macchi. \$2,500 per month.

TRIAD/Khashoggi - Payment Procedures

Agreements are between TRIAD (or predecessor company) and IAC (LAS), IAC (Gelac) and IAC (Calac). Payment procedures differ from one division to another.

***IAS:** Since 1969 payments made by check to TRIAD. The product and service contracts being LAIAG contracts, IAS invoices LAIAG for marketing assistance obtained from TRIAD and LAIAG pays IAS. Prior to 1969, LAIAG made payments by check to TRIAD (or its predecessor company) for marketing services in support of LAIAG contracts. Agreement then between TRIAD (or its predecessor company) and LAIAG.

****GELAC:** Pay by check to TRIAD account in designated bank per instructions of TRIAD.

*****CALAC:** ^{****}Wire transfer to LAIAG/with instructions to issue checks to TRIAD.

In some cases payments are made to assignees per assignment by TRIAD. Gelac and Calac contract direct with customer since products are being sold. IAS contracts through LAIAG since services involve people in-country and those people are LAIAG employees.

**LAS" - Lockheed Aircraft Service Company, Ontario, Calif.
 ***GELAC" - Lockheed-Georgia Company, Marietta, Georgia
 ****CALAC" - Lockheed-California Company, Burbank, California
 *****LAIAG" - Lockheed Aircraft International, A.G., Geneva, Switzerland

6-12-75

LOCKHEED AIRCRAFT CORPORATION
FINANCE POLICY MANUAL

Statement No: 865-C7
Effective: February 4, 1963
Revision No: 3
Revision Eff: November 15, 1971
Page No: 1

Subject: BUSINESS ENTERTAINMENT

I Policy

It is the policy of Lockheed Aircraft Corporation to reimburse employees for reasonable and necessary expenses incurred in connection with approved entertainment directly related to company business, to advance cash for this purpose as necessary, and to require a complete accounting from the employee for such advances and expenses.

The Revenue Act of 1962 and related Internal Revenue Service Regulations require comprehensive detailed substantiation of entertainment expenses to sustain a deduction for Federal income tax purposes and to preclude adverse tax effects to the employee. To satisfy these requirements employees who travel or entertain on company business are required to maintain an account book, diary, or similar record in which they record on a daily basis the detail data specified in this policy statement. Such records shall be retained for a period of at least four years.

II Application of Policy

- A Expenditures for business entertainment must be supported by sufficient explanation on the expense report or other disbursement document, to show the nature of the entertainment, e.g., refreshments, dinner, theater, etc., and the number of customers or guests being entertained. When entertainment expenses exceed \$25, an itemization of the separate payments or charges to each payee making up such total shall be provided in the explanation. Receipts shall be submitted for any single expenditure of \$25 or more. Names of individuals entertained are not to be shown on the company expense report, or other disbursement document.
- B As a prerequisite for payment, the employee shall submit with his expense report certain supplementary information as prescribed in Paragraph C for review by his supervisor or other designated approving authority.
 - 1 The company shall make available a standard form for the convenience of the employee in supplying this supplementary information.

Statement No: 865-07
Page No: 2

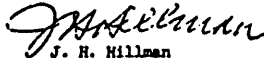
II B (continued)

- 2 This supplementary information is considered confidential information and is to be returned by the supervisor directly to the employee immediately after the supervisor's review with his approval in writing noted thereon.
 - 3 The employee is required to retain the approved record of supplementary information in his personal files for his own tax protection for not less than four years.
- C The supplementary information referred to in Paragraph B above shall include the following:
- 1 A listing with description of each separate expenditure.
 - 2 The date of entertainment.
 - 3 The place, or places, of entertainment, including name, address or location, and description of the entertainment, such as dinner, theater, etc.
 - 4 The business purpose - giving the reason for, or the nature of the business benefit expected to be derived by the company as a result of the entertainment and the nature of any business discussion or activity.
 - 5 The business relationship - the occupation or other information relating to the person or persons entertained, including name, title, or other designation, sufficient to establish the business relationship to the company.
 - 6 If the entertainment directly precedes or follows a business meeting or discussion, the following additional information concerning such meeting or discussion must also be furnished:
 - a The time, including date and duration, of the business meeting or discussion;
 - b The place or places of business discussion including name and address or location;
 - c The nature of the business discussion;
 - d Identification of those persons entertained who were at the business discussion.

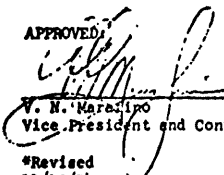
Statement No: 865-07
Page No: 3

II Application of Policy (continued)

- D Any charges made to the company for entertainment indirectly through credit cards or otherwise shall likewise be accounted for to the company and supported by the above report of supplementary information.
- E Business entertainment shall be controlled and under no circumstances will expenditures determined by the company to be lavish or extravagant be reimbursed.
- F Entertainment expense over \$50 in any one day or \$250 in any one week requires approval by a branch head or higher level of management for employees of operating companies and a director or an elected corporate officer for employees of Corlac.
- G Each operating company president shall establish procedures to:
 - 1. Provide for a complete accounting from the employee as required by this policy statement.
 - 2. Provide for appropriate review and approval of expense reports and supplementary data and for the confidential handling thereof.
 - 3. Control expenditures for business entertainment.


J. H. Millman
Director of Accounting

APPROVED


W. N. Maradino
Vice President and Controller

*Revised
11/13/74

LOCKHEED AIRCRAFT CORPORATION

BURBANK, CALIFORNIA 91503

COMMITTEE ON
FOREIGN RELATIONS

March 12, 1976

Jerome I. Levinson, Esq.
 Chief Counsel
 Subcommittee on Multinational Corporations
 119 D Street, N.E.
 Washington, D.C. 20510

Dear Mr. Levinson:

This will further supplement Lockheed's previous additions for the record with respect to the recent hearings concerning Lockheed Aircraft Corporation.

It is my understanding that the Subcommittee policy is not to require the public identification of foreign government officials who are known or thought to have been the recipients of Lockheed payments. I therefore propose the following answer for the record at page 74 of the draft transcript of my testimony on February 6, 1976:

"At the time of the communication in question, 'Antelope Cobbler' was the code denomination for government officials. If properly used it referred to an official of the Italian Government."

At page 75 of the draft transcript the information requested is as follows:

"In March, 1969, Paris counsel to the Lockheed Aircraft Corporation was Coudert Freres."

With respect to the information requested at page 88 of the draft transcript concerning communications between Lockheed and the Department of State in early 1975 in connection with the sale of F-104 aircraft from Italy to Turkey, I am pleased to provide the following information:

"The Lockheed representatives who had contact with the Department of State on this subject were George F. Carey, Jr., Manager, International Relations, Lockheed Washington office; Robert F. Tillman, Director of Sales, Tactical Systems, Lockheed-California Company; Allen Myer, formerly

-2-

"Director of Special Programs, Lockheed-California Company. These Lockheed representatives had contacts with State Department personnel in the Bureau of Politico/Military Affairs (primarily the Office of Munitions Control and the Office of Security Assistance and Sales) and with the Italy and Turkey desks at the Department."

Yours very truly,

A. Carl Ketchian
A. Carl Ketchian
Senior Advisor

Commissions Paid by Lockheed in Selected Countries

Country	Year	Amount \$000	Agent	End Use
Japan	19? -1975	\$7,085	Kodama Yoshio	?
Japan	19? -1975	3,223	Marubeni	official representation
Japan	1973-1975	2,150	I-D Corp.	public relations, possibly including p for stories in Japanese press
Italy	1970-1971	210	Ovidio Lefebvre	legal fees
Italy	1970	1,456	Tezorefo S.A., Panama	contributions to Minister's
Italy	1970	224	Com. El., S.p.A.	payment to Minister
Italy	1970	78	Ikaria Establishment, Switz.	payment to previous Minister
Italy	1970	50	Ovidio Lefebvre	payment to Minister
Turkey	19? -1975	876	Nezih Dural	partly "gifts" to third par
France	1968-1973	265	off-the-books account with Coudert Brothers	buy industry intelligence a influence European airline officials

BAKER & MCKENZIE

11, RUE D'ITALIE
P. O. BOX 2281211 GENEVA 3, SWITZERLAND
CABLE: ADOGADO - TELEX 27 491
TEL. (022) 26 37 44

June 30, 1975

DE/sf

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PARISRIO DE JANEIRO
ROME
SAN FRANCISCO
SAO PAULO
SIDNEY
TOKYO
TORONTO
WASHINGTON, D. C.
ZURICH
PRESIDENT COUNSELTo the Chairmen of the Boards of
Directors and Directors General of

Lockheed Aircraft International AG

Lockheed Technology SA

Lockheed Systems SA

Lockheed Aircraft (Mid-East) SA

Lockheed Aircraft (Europe) SA

1, place Longemalle

1204 GENEVE

Gentlemen:

You have requested that we submit our opinion regarding the
following matter.Facts

You have been advised by the Chief House Counsel of your parent company, J.H. Martin, Esq., that a subpoena issued by the US Senate's sub-committee on multinational corporations has been served on Lockheed Aircraft Corporation Burbank, California. Mr. Martin also advised that another subpoena has been served on Lockheed Aircraft Corporation by the Securities and Exchange Commission of the United States. These subpoenas request information substantially along the lines of attachment A which you submitted to our examination and which we also attach hereto.

Lockheed Aircraft Corporation has requested that you submit to your parent company whatever information described in the above attachment

2.-

which may be available to your Corporations.

Question

We have been requested to render an opinion as to whether your submitting such information to Lockheed Aircraft Corporation violates Swiss law.

Discussion

The above described facts fall within the perview of Article 273 of the Swiss Criminal Code (SCC) which reads as follows:

"Service de renseignements économiques.

Celui qui aura cherché à découvrir un secret de fabrication ou d'affaires pour le rendre accessible à un organisme officiel ou privé étranger, ou à une entreprise privée étrangère, ou à leurs agents,

celui qui aura rendu accessible un secret de fabrication ou d'affaires à un organisme officiel ou privé étranger, ou à une entreprise privée étrangère, ou à leurs agents,

sera puni de l'emprisonnement ou, dans les cas graves, de la réclusion. Le juge pourra en outre prononcer l'amende."

In English:

"Information service (Espionnage) regarding economic fact

The one who has tempted to discover a manufacturing or business secret for the purpose of making it available to a foreign official or private organism or to a foreign private enterprise, or to their agents,

the one who has made available a manufacturing or business secret to an official or private organism or to a foreign private enterprise, or to their agents,

shall be punished with prison or in serious cases with reclusion. The Court may also rule for the payment of a fine."

It appears that we are faced in particular with the application of paragraph 2 of the above provision which we propose to dis-

cuss below.

Historic and general background

The SCC was accepted by the Federal Legislature on December 21st, 1937 and became effective as of January 1, 1942. The above article 273 is included in the 13th chapter entitled "Crimes and misdemeanour against the state and the national defense". It comprises articles 265 through 278. It should be remembered that most of these provisions, including especially the one which is being examined here, were included in the SCC by a legislator who was determined to make sure that the Swiss sovereignty be protected against interference by neighbouring foreign governments which were known to use subversive devices. In short, this provision along with the others in chapter 13 were meant to be used, and actually have been, as means to discourage any kind of subversive activity in favour of any foreign interests.

Today the same provisions are still in force in a totally different international environment. A far-sweeping interpretation of Article 273 SCC would cover most of the relations existing in the context of a multinational group between its Swiss subsidiary and the foreign parent. Therefore, the Attorney General of the Swiss Confederation has developed certain principles which limit the application of this provision (see item 7 below).

Analysis

We shall now review the various conditions which must be met in order that Article 273 SCC be applicable.

1) Parties meant to be protected

It is admitted by all leading commentaries and Court decisions that the purpose of Article 273 consists in protecting in the first instance the State, i.e. the Swiss Confederation (see Hug 49, Lohner 135ff, Lamm 194, Lüthi 330, ATF 74 IV 104).

Furthermore, this provision is also meant to protect the owner of the manufacturing or business secret. This purpose does not apply in this instance since Lockheed Aircraft Corporation - the ultimate - and sole holder of all of the stock in the five Swiss corporations - is asking for the information.

Finally, this provision protects the interests of private third parties. This aspect will be reviewed under item 7) below.

2) Parties committing the crime

Since Article 273 SCC protects not only the interest of the owner of a business secret, but in particular those of Switzerland as a whole, such owner himself can, if he passes on the secrets, be considered as having committed the crime (see Lohner 143, Hug 101, Reichlin 9). Therefore, the Board of Directors or corporate executives who transmit information regarding their company to parties outside of Switzerland can violate Article 273 SCC.

3) Parties to whom the business secret is transmitted

The wording of Article 273 clearly indicates that transmitting secret information to a private foreign enterprise constitutes a crime. It should be mentioned, however, that most of the commentators feel that in a situation where

information is transmitted to a private enterprise, Article 273 must be interpreted with some restraint.

Schwander, for instance (StGB, 2nd ed., 481) says:

"It goes rather far to include foreign private enterprises. Such inclusion may be justified only if such private enterprise makes available the secret information to an official body of its country which is responsible for the formulation of its business policy, especially if the knowledge of such information might induce the foreign government to take undesirable measures against Switzerland or against corporations or private persons residing in Switzerland" (Hug 80ff indicates further details in a same sense; Riggensbach 107ff is of a different opinion).

It is interesting to note, however, that the Attorney General of the Swiss Confederation has not formulated any interpretation of "foreign private enterprise" which restricts the application of Article 273 (see Lohner 147f).

4) Definition of "making available"

The commentaries and the case law have clearly established that even facts which came to the knowledge of the person committing the crime in the course of normal business in a legal manner are covered by Article 273 (Lohner 155; Riggensbach 131f; ATF 85 IV 139; different opinion Germann 22).

Some commentators go further holding that even facts which are known in certain circles are a protected secret. "The protection (of Article 273) is available even if the facts are not held secret in Switzerland" (Lohner 139). In ATF 80 IV 71ff, the Federal Tribunal held that the passing on of certain information to a foreign destination must be considered as espionage even though such information was readily available within Switzerland to anybody desiring to obtain it. In that same decision, the Federal Tribunal draws the

line only at the point where the information is public knowledge.

5) Definition of the concept of "Business Secret"

The Federal Tribunal has defined as business secret "all facts of the economic life, the secrecy of which represents a legitimate interest" (ATF 61 I 33, confirmed among others in ATF 74 IV 103; see also Lohner 138). The following examples which were held to constitute business secrets may be of interest:

- customers lists,
- lists of sources for supply,
- financial statements,
- price lists,
- salary lists,
- facts regarding a company's organisation chart,
- personal financial situation of individuals,
- in ATF 65 I 47ff, the Federal Tribunal held that the salary structure of German residents working in Switzerland were a trade secret,
- in ATF 65 I 330ff, the Federal Tribunal further held that denouncing the violation of foreign exchange control regulations was a crime under Article 273,
- finally in ATF 74 IV 102ff, the Federal Tribunal reached the same conclusion in a case where the violation of foreign customs regulations was denouna

6) Agreement of the owner of the secret to disclose it

We have seen heretofore that the purpose of Article 273 consists not only in protecting the interest of the entity owning a secret, but in the first line those of the Swiss

7.-

Confederation as a whole. Accordingly, the fact that the owner agrees that the secret be abandoned, does not exclude that a crime under Article 273 be committed (Lohner 142f). At best, there could be an exception to this rule if no third party has a legitimate interest in keeping certain information secret (Reichlin 8).

It appears, however, that the agreement of the owner of the secret that it be disclosed has a great influence from a practical point of view (Riggenbach 136). The Attorney General of the Swiss Confederation has been of the opinion that

"...with certain exceptions, all cases where a private enterprise has agreed to disclose a secret, do not constitute a crime." and "... In view of our private enterprise system, any other solution would lead to impossible results...".

According to the Attorney General, the above does not apply when the general interest of the country requires that the secret be maintained, or if the legitimate interest of third parties is at stake (see Riggenbach 136 Note 2; Lüthi 332).

The question as to whether the facts in our case would permit to say that the country's interests are at stake, is a difficult one and shall not be discussed. It will be sufficient to review the other determining element which is

7) The violation of legitimate interests of third parties

Attachment A describing the two subpoenas, lists a certain number of individuals and companies under item 3. But also items 1 and two relate to third parties who may have a legitimate interest that certain information be kept

confidential. In this respect, there is a conflict of interest between the secrecy owner, i.e. Lockheed Aircraft Corporation which wants to disclose the information, and the individuals and companies mentioned hereabove, which may want to keep it confidential.

In examining this question, we must remember first of all that the protection of Article 273 applies even if the secret concerns certain facts which are illegal under a foreign jurisdiction, such as violations of foreign currency exchange -, customs duty -, or tax regulations (see examples hereabove under item 5). On the other hand, the protection of third parties' interest is not unlimited. For instance, the passing on of lists indicating the credit quality of Swiss entities has been accepted as legal, even though companies which were in financial difficulties, clearly had an interest that the information be withheld. Hug (70) cites the Attorney General as stating that information may be disclosed when the following conditions are met:

- "a) The information may be disclosed only in the context and for the purpose of furtherance of the commercial relationship of Switzerland with the foreign country concerned. This is the case when the information to be disclosed is a trade necessity in the above sense ("handelsnotwendig sind"),
- b) the information refers exclusively to the credit quality of Swiss firms or individuals, i.e. when no further reaching elements, which have no bearing on the question of the credit quality, are included, such as for instance the name of creditors of the company or individual on whom information is disclosed,
- c) the foreign country concerned grants reciprocity."

It is now necessary to examine the situation where not only the owner of the secret information, but also the third parties concerned agree that the information be disclosed. Would in this situation the fact that Article 273 is meant in the first instance to protect the sovereignty of Switzerland, suffice to render the passing on the information illegal? In this respect, it may be worthwhile to analyse the latest decision of the Federal Tribunal rendered on this question on September 7, 1972 in rem Attorney General c.A (ATF 98 IV 209ff). The Federal Tribunal held among others as follows (210):

"Certainly Article 273 SCC covers crimes against the Confederation. This results clearly from its insertion under the 13th Title of the SCC. The Confederation has an interest that the persons which are placed under its territorial sovereignty be protected against being searched (Auskundschaft) and the treason of business information (ATF 85 IV 141 and other rulings quoted at that place). The one who has made available a manufacturing or business secret to an official or private organism or to a foreign private enterprise or to their agents, jeopardizes the interests of the domestic economy already by that mere fact (ATF 74 IV 208ff), because every Swiss business entity is part of the total Swiss economy (Lamm 193 and 196)..."

Then the Federal Tribunal states that criticism against its above decision (ATF 74 IV 208ff) giving Article 273 a broad interpretation, is unwarranted (211):

"... Apart from this, already the wording of Article 273 SCC is unequivocal: it does not require that the interests of the nation be violated or put in danger. This is true because any economic information service (espionage) which is detrimental to an enterprise residing in Switzerland ("in der Schweiz ansässig") and conducted in favour of foreign interests ("zu Gunsten des Auslandes") indirectly violates or endangers the nation's interests, which is sufficient for making the action involved a crime under Article 273 SCC..."

10.-

Finally the Federal Tribunal concludes that

"... the economic information service (espionage) is an abstract crime of endangering ("Abstraktes Gefährungsdelikt")."

In other words, Article 273 SCC covers even situations where no damage occurs. The mere fact that somebody is endangered - even if only theoretically - is sufficient.

Therefore, we may conclude that there is enough ground to be concerned that if the question were put to it, the Federal Tribunal would hold that neither the disclosure consent of the secret's owner nor that of the third parties concerned, eliminates the application of Article 273 SCC.

Application of the facts at issue to the above law

We propose to review this question by following the same numeration as hereabove:

- 1) It appears from our discussion under item 1 and especially under item 7 that the interest of the Swiss Confederation would held to be violated as a result of information regarding third parties, some of which are residing in Switzerland, being disclosed.
- 2) Each of your Board of Directors or Directors General, or any other person having access to the facts pertaining to your companies can be guilty of violating Article 273.
- 3) Even if the information were disclosed only to Lockheed Aircraft Corporation - a private foreign enterprise, - Article 273 is violated. This is all the more true in a situation where such information is requested in order to be passed on to a sub-committee of the US Senate and to the SEC, which are both "official organisms" of the USA.

11.-

In our case, the tendency of the commentators described under item 3 hereabove, to apply Article 273 with some restraint in cases where information is passed on to private enterprises, may therefore be disregarded.

- 4) The information described in attachment A is of a private character and not accessible to anybody, perhaps even within your company. Accordingly, it is our opinion that the requirement of "making available" is met in the present instance.
- 5) Here again, we are of the opinion that the facts described in attachment A are undoubtedly business secrets.
- 6) All information described in said attachment A relates to third parties. The agreement of the owner of the business secret, that it be disclosed, does not exclude the application of Article 273 in situations where interests of third parties are concerned.
- 7) In light of the Federal Tribunal's latest ruling on the matter described under item 7 hereabove, we are of the opinion that the information requested is of such a nature that the individuals and the companies concerned have a legitimate interest (as defined by the Federal Tribunal), that the information be kept confidential. We have also seen that, even if the third parties concerned consent to the information being transmitted, the Federal Tribunal might well hold that the nation's interests require that it be kept secret.

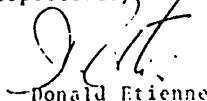
Finally, it should be noticed that the present facts go far beyond those indicated under item 7 hereabove, where the Attorney General held that such information as credit quality may legally be disclosed.

Conclusion

As a result of the above, it is our opinion that your Boards of Directors, Directors General or any other person making the information described in attachment A available to Lockheed Aircraft Corporation would be violating Article 273 SCC. Under these circumstances, and especially in view of the very limited time available for rendering this opinion, we have not reviewed the question as to whether other parts of the SCC or other Swiss statutory or other law be violated.

We should like to specify, however, that whereas voluntary passing on of the information to Lockheed Aircraft Corporation constitutes the above violation, this would not be the case if the information requested by Lockheed Aircraft Corporation is obtained through the official channels existing between the USA and Switzerland. In particular, the treaty between the two countries in matters of criminal prosecution might apply in our case. However, again because of the limited time available, we do not propose to cover this matter. This appears to be premature anyway in view of the fact that the above treaty will not become effective before some time in the summer of 1976.

Respectfully submitted,



Donald Etienne

Attachment "A"

1. For the period January 1, 1965 to June 1, 1975 all communication and the contract and all books, papers and documents referring or relating to communications or contracts between Lockheed Aircraft Corporation, its subsidiaries and affiliates, including but not limited to the following:

- 1) Lockheed Aircraft International A.G.
- 2) Lockheed Aircraft International, Inc.
- 3) Lockheed Aircraft International Limited
- 4) Lockheed Aircraft International S.A.

and all consultants and agents, who have received more than \$200,000 in payments from the Lockheed Aircraft Corporation and its subsidiaries and affiliates.

2. For the period January 1, 1965 to June 1, 1975 all communications and all books, papers, and documents referring or relating to foreign political contributions, either directly or indirectly, by Lockheed Aircraft Corporation and its subsidiaries, ~~and~~ officers, directors, and employees thereof during the above named period.

3. For the period January 1, 1965 to June 1, 1975, all books, papers, and documents relating or referring to:

- Hubert Weisbrod
- C. Fred O. Meuser
- John Ross Blandford
- Jamal J. Zand
- German Economic and Development Corporation
- Triad
- Management and Technical Consultants
- Hans Johannes or J. Gerritsen

Source indication and abbreviations

- Germann, Wirtschaftlicher Nachrichtendienst, Wirtschaft und Recht 1957 (Germann)
- Hug Theodor, Der wirtschaftliche Nachrichtendienst, Diss. Bern 1961 (Hug)
- Lamm Karl, Wirtschaftlicher Nachrichtendienst, BJM 1957, 193 ff (Lamm)
- Lohner Ernst, Der verbotene Nachrichtendienst, Schweiz. Zeitschrift für Strafrecht 1967, Inst. 134 ff. (Lohner)
- Lüthi Werner, Zur neueren Rechtsprechung über Delikte gegen den Staat, Schweiz. Zeitschrift für Strafrecht 1954, Inst. 329 ff. (Lüthi)
- Reichlin Kurt, Art. 273 StGB und der agentenlose wirtschaftliche Nachrichtendienst, Wirtschaft und Recht 1961 (Reichlin)
- Riggenbach Dieter, Wirtschaftlicher Nachrichtendienst, Diss. Basel 1965 (Riggenbach)
- Decisions of the Federal Tribunal (Supreme Court of Switzerland (ATF))
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yesterday we received a subpoena from the securities and exchange commission requiring us to produce the following documents.
quote 1. all memoranda cma checks cma contracts cma ledgers and other writings relating to payments in excess of 1000 usd made to any person cma group or entity employed by cma affiliated with or representing cma directly or indirectly cma any foreign government cma to whom lockheed aircraft corp. or its subsidiaries cma or representatives or other persons on its behalf cma have paid or entered into any contracts cma agreements or understandings to pay cma any fundai ky other emoluments in excess of 1000 usd in any fiscal year from 1969 through 1974.

2. all memoranda cma checks cma receipts and other writings reflecting any payments cma contributions cma gratuities or other emoluments by lockheed aircraft corp. to any government official or political party cma directly or indirectly cma from corporate funds from 1969 through 1974. unquote. please undertake immediate and diligent efforts to obtain the requested copies. five copies should be sent to me in burbank.

nusub.

at direction of d.j. haughton all documents requested in connection with senate subcommittee investigation should also be sent directly to me. if you have any questions re this matter pls advise.

regards

martin

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TESTIMONY OF JAMES AKINS, FORMER U.S. AMBASSADOR TO SAUDI ARABIA

TUESDAY, MAY 4, 1976

**UNITED STATES SENATE,
SUBCOMMITTEE ON MULTINATIONAL CORPORATIONS,
OF THE COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.**

The subcommittee met, pursuant to notice, at 2:25 p.m., in room 4221, Dirksen Senate Office Building, Senator Frank Church (chairman of the subcommittee) presiding.

Present: Senators Church, Symington, Clark, Pearson, and Percy.

Also present: Jerome Levinson, chief counsel of the subcommittee.

Senator CHURCH. The subcommittee will please come to order.

Our witness this afternoon is Ambassador James Akins, who was formerly the U.S. Ambassador to Saudi Arabia. I do not have an opening statement. I should explain that Mr. Akins has been heard in executive session and it was the decision of the subcommittee to ask him to testify in public.

For that purpose, Mr. Ambassador, would you please stand and take the oath?

Do you swear that all the testimony you will give in this proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. AKINS. I do so affirm.

TESTIMONY OF AMBASSADOR JAMES AKINS, FORMER U.S. AMBASSADOR TO SAUDI ARABIA

Senator CHURCH. Mr. Levinson will commence the questioning.

ROLE OF MR. KHASHOGGI

Mr. LEVINSON. Ambassador Akins, I am sure you have already seen the Washington Post story this morning concerning Mr. Khashoggi. Mr. Khashoggi, of course, is the agent for the major American arms companies dealing in Saudi Arabia and elsewhere. But this morning's story indicates that Mr. Khashoggi was acting as a private intermediary in correspondence between President Nixon, and King Faisal during and after the Yom Kippur War in October 1973, and that this correspondence dealt in part in the American policy for the resupply of Israel and other related matters.

Now as U.S. Ambassador in Saudi Arabia, were you aware at the time that President Nixon was communicating with the King through Mr. Khashoggi?

Mr. AKINS. I read the article this morning, of course, but I was not aware of any such communication. Frankly, I don't believe it took place.

Senator CHURCH. Had it taken place, it would have been highly irregular?

Mr. AKINS. Highly irregular.

Senator CHURCH. And improper?

Mr. AKINS. And improper.

Senator CHURCH. Do you have any basis for the belief that the story is not accurate or is it just your own personal feeling?

Mr. AKINS. It would be very difficult to prove that it didn't take place, but I do know that King Faisal had a strong distaste, dislike, for Mr. Khashoggi, and it would be extremely unusual for him to have used Khashoggi as a conduit for communication with the American President or with anyone else.

Senator CHURCH. In other words, it was your familiarity with the King's dislike for Khashoggi that led you to believe that he would not be communicating through him with the President?

Mr. AKINS. That's right.

Mr. LEVINSON. Mr. Ambassador, I believe that the correspondent who wrote the story had access to some of the correspondence purportedly from President Nixon to the King. And according to the information that we have received, Mr. Khashoggi delivered and received the correspondence in Rosemary Woods' apartment in the Watergate apartments.

OUTSIDE CHANNELS OF COMMUNICATION

During your tenure as ambassador, are you aware of any other instance, or any instance in which official communications took place outside of the channels of the Embassy?

Mr. AKINS. No; I'm not. At one time it was proposed that some extra official channels be used, but as far as I know, they were never used.

Mr. LEVINSON. Do you have any knowledge to whether Secretary of State Kissinger was aware that Mr. Khashoggi might have been used as an intermediary between President Nixon and the King?

Mr. AKINS. No, I don't. I might also point out that if someone is trusted enough to be used as a special emissary between two heads of state, that emissary is certainly not going to keep copies of the correspondence in both directions.

This, allegedly, is what Mr. Khashoggi did; he showed the correspondent of the Washington Post copies of this correspondence. I find this absolutely extraordinary.

Mr. LEVINSON. Is it conceivable to you that he showed it for the purpose of indicating what he has so that if he is pursued in this question of commissions, that he might disclose more correspondence which could be embarrassing and therefore it would not be well to pursue this matter with respect to Mr. Khashoggi?

Mr. AKINS. Anything is conceivable, but as I say, I think these documents are not authentic.

Mr. LEVINSON. Perhaps you can help us understand a little bit more about Mr. Khashoggi through your experiences as Ambassador.

THE DEPARTMENT OF STATE AS GO-BETWEEN

To your knowledge was your predecessor ever asked by the Department of State to expedite a commission payment for Mr. Khashoggi?

Mr. AKINS. I knew nothing about it at the time. But documents this committee has released show that Northrop did ask the Ambassador to take up with the Saudi Minister of Defense the question of agents fees on a government-to-government contract. The Northrop documents indicate that Ambassador Thatcher assured the Saudis that no agents fees had been paid in Saudi Arabia. I gather they were paid outside of Saudi Arabia.

When questioned further by the Minister of Defense, he said, again, according to the Northrop documents, that this was a government-to-government contract and therefore, there were no middlemen.

The Saudis had told me consistently that the reason they had wanted to go government-to-government for military sales was in order to eliminate the agent's fees altogether. Frankly, I assumed at the time that they knew that there were some agents fees but I looked through our files and found no indication that we had ever told the Saudis that there were indeed agent fees. But until this committee released the documents, it never occurred to me that we would have told the Saudis the contrary, namely that there were no agents fees.

Mr. LEVINSON. Were you ever asked to take action in connection with an arms sale to expedite a commission owed to Mr. Khashoggi, or allegedly owed to Mr. Khashoggi?

Mr. AKINS. About 2 weeks after I arrived in Saudi Arabia, I got a telegram from the State Department that asked me in general terms to take up with the Saudi Minister of Defense the matter of an agent's fee to be paid to Mr. Khashoggi.

I thought it was improper for me to do this and I informed the Department. They agreed that I should not do this.

ROLE OF AMBASSADOR THATCHER

Senator CHURCH. Do I understand that Ambassador Thatcher misinformed the Government of Saudi Arabia in connection with his assurance that no agent fees were involved in the government-to-government contracts?

Mr. AKINS. That I can't say. All I know, is what the Northrop documents allege.

Senator CHURCH. The Northrop documents indicate that fees were paid.

Mr. AKINS. That's right. They were indeed paid. But we don't know that Mr. Thatcher actually said anything to the Saudis. All we have is the Northrop account of what he said. And I have seen no records to indicate that Ambassador Thatcher actually told this to the Saudis. You'll have to ask him about that, or the State Department.

Mr. LEVINSON. Did Ambassador Thatcher renew this representation two or three times and reach a point with the King that the King became quite annoyed with him for pressing this matter?

Mr. AKINS. No, he didn't. As far as I know, this was taken up only once.

Mr. LEVINSON. Was there another company involved in a similar incident where you received instructions to pursue the matter of commissions with Saudi authorities?

THE RAYTHEON CASE

Mr. AKINS. There's another case with another company.

Mr. LEVINSON. Is that the Raytheon case?

Mr. AKINS. That's right.

Mr. LEVINSON. Could you tell us what happened in connection with the Raytheon case?

Mr. AKINS. That wasn't in connection with the paying of an agent's fees. It was in connection with the letting of a contract. Khashoggi was the agent of Raytheon. The Ambassador received, as Ambassadors frequently do, instructions to intervene on behalf of an American company. Ambassador Thatcher, tried to present Raytheon's case to the Saudis, including King Faisal. The King said that he would not consider it because Khashoggi was the agent.

The Ambassador was then given two further instructions, approached the King twice again, and the King, I'm told, became quite annoyed.

LETTER FROM DEFENSE DEPARTMENT TO SAUDI MINISTER OF DEFENSE

Mr. LEVINSON. In the fall of 1975, Assistant Secretary of Defense Ellsworth sent a letter to Prince Sultan, Minister of Defense, calling his attention to a proposed commission payment for \$45 million by Northrop to Mr. Khashoggi.

Was this letter sent through Embassy channels?

Mr. AKINS. It was sent directly.

Mr. LEVINSON. To your knowledge, has a Defense Department official at the Assistant Secretary level ever before communicated with the Minister of Defense on an official matter?

Mr. AKINS. Not on a matter of this magnitude, no.

Mr. LEVINSON. Do you have an opinion as to why this was done in this case?

What would you have done had you received such a letter for transmittal to the Minister of Defense?

Mr. AKINS. It would depend upon what the letter had said. If it had been to try to get me to justify the payment to the Saudis, I would have taken the same position I did with the first instruction. That is, I would have said it was up to the Department of Defense to decide whether a commission was justifiable or not. That's what they're paid for in connection with these sales. It's up to them to decide whether or not a fee is justifiable. The Saudis had no way of knowing.

THE U.S. GOVERNMENT'S INTEREST IN MR. KHASHOGGI

Mr. LEVINSON. Now in both the Northrop and Lockheed documents as you know, there are indications that Mr. Khashoggi has acted as a conduit to bribe high-ranking military officers to obtain contracts for these companies.

We also have this morning's story in the Washington Post about Khashoggi acting as a trusted intermediary between President Nixon and King Faisal. We have the State Department requesting U.S. Ambassador to Saudi Arabia to facilitate commission payments through Mr. Khashoggi. We have an Assistant Secretary of Defense bypassing the Embassy in connection with a communication concerning a commission payment allegedly due to Mr. Khashoggi.

What does this indicate to you about the U.S. Government's interest in Mr. Khashoggi? Do you know of any comparable efforts on their behalf of other agents?

Mr. AKINS. No, there's no one in the country who is comparable to Mr. Khashoggi. Maybe one or two others in the Middle East but no one in Saudi Arabia.

Khashoggi represents a large number of arms firms, not only American but also European.

THE POLITICAL CONSEQUENCES

Mr. LEVINSON. Aside from Mr. Khashoggi, I think it's appropriate to ask you more generally about political consequences of continuation of the practices we have been discussing.

Senator CHURCH. When we began to investigate the extent of the payoffs and bribes that were being made by American aircraft manufacturers in the Middle East, we were told by the company officials who admitted to the practice that these payoffs were a part of the way of life in the Middle East, and that this was very much the case with respect to Saudi Arabia. In order to get the contract, it is necessary to bribe officials and, highly placed government and military people. And that anyone who knew that part of the world understands that that's the way business has to be done.

Now you have known that part of the world rather intimately and you knew the officials of the Saudi Arabian Government well, did you not, while you were Ambassador there?

Mr. AKINS. Yes, I did.

ARE BRIBES NECESSARY?

Senator CHURCH. Do you share the opinion of these executives that it was necessary to do business this way in order to get the orders from the Saudi Arabian Government?

Mr. AKINS. Absolutely not. In fact, exactly the opposite. I know it's been said quite frequently that your committee's revelations have hurt American business abroad. Well, I don't believe that either. I think it's not necessary to engage in bribery to do business in the Middle East or anywhere else. But unfortunately, the belief that this is necessary is more important than the fact. If companies believe it, they go ahead and make the payments.

Shortly after I arrived in Saudi Arabia a contract for a new airport was being considered. There were allegations that a foreign firm was paying heavy bribes to get the contract.

At that time I told the Americans involved, and I subsequently told all American firms in Saudi Arabia that they did not have to pay bribes to do business; if they were ever asked for bribes, or indeed, if they were ever asked for an excessive agent's fee, they should take it up with me and I would do what I could to protect them.

I then took this up with every top Saudi official except the King; I discussed it with Crown Prince Fahd, with Prince Sultan, the Minister of Defense, with Omar Saqqaf, who was then the Foreign Minister, and with Prince Saud, his successor, with Hishum Nazir the Minister of Planning and with Ahmad Zaki Yamani, the Minister of Petroleum.

I told them the position I had taken with American companies; I said it would benefit Saudi Arabia in the long run, but I could not tolerate having American companies being put at a disadvantage because they did not pay bribes while other countries were paying them. I told them they would have to protect me and to protect the American firms.

They all told me that they would; they all said that if ever an instance came up where someone had been asked for a bribe, I should take it up with them and they would take it up with the King. And American business did very well indeed under these rules.

Senator CHURCH. Do you think that other American businesses that did do well in Saudi Arabia refrained from the practices of bribery that we have exposed in the course of our investigation of the aircraft companies?

Mr. AKINS. I do indeed. I think that Bechtel has never paid anything. And I'm almost certain that the major oil companies have not.

THE ROLE OF THE STATE DEPARTMENT

Senator CHURCH. As Ambassador you made your position known to the State Department, did you not?

Mr. AKINS. Yes, indeed.

Senator CHURCH. Did the State Department show any particular interest or give you any particular support in trying to curtail or to bring an end to these large commissions and agents' fees in connection with the military sales to Saudi Arabia?

Mr. LEVINSON. Could you divide your answer to Senator Church in two parts? One, with respect to what you did, what action you proposed without going into detail which would jeopardize confidential communications between the Embassy and the State Department before the disclosures of the subcommittee, and then what you did afterwards?

Mr. AKINS. Even before the subcommittee's work, this was a matter of considerable concern. It was and still is a matter of concern to everybody who works in the Middle East; I mean, of course, the subject of corruption. There were allegations of corruption and the Embassy while I was there reported on the subject. I would prefer not to go into details on this.

Mr. LEVINSON. But would it be fair to conclude that in reporting, you did express a concern over the long-term implications of this and you proposed that certain steps be taken and that you were not encouraged to pursue these steps.

Isn't that a fact? That doesn't give away anything that's classified. That's just a fact that you were concerned and you perceived it as a problem and you proposed to do something.

Mr. AKINS. That's true.

Mr. LEVINSON. And then after the subcommittee's disclosures, then you took it up with the various officials in the Saudi Government?

THE AMBASSADOR'S DISCUSSIONS WITH AMERICAN COMPANIES

Mr. AKINS. No, that's not correct. It was before the subcommittee disclosures I took this up with the American companies. I told them from the very beginning that they should not pay bribes, that they

would get no support from me or the Embassy if they did. But if they were touched for bribes, I would support them all the way to the King.

DISCUSSIONS WITH SAUDI OFFICIALS

Mr. LEVINSON. But after the disclosures, you then discussed the matter with the Saudi officials?

Mr. AKINS. I discussed it with the Saudi officials before and after the disclosures of the subcommittee.

Senator CHURCH. So you were aware that large bribes for commissions and agents' fees and the like were being paid prior to the time that this committee made it public?

Mr. AKINS. Indeed. And the Saudis were too. This was why the Saudis insisted that they stop commercial sales for their military purchases and go to government-to-government sales, where they thought there were no agents' fees involved. They were wrong, of course.

AGENTS' FEES IN GOVERNMENT-TO-GOVERNMENT SALES

Senator CHURCH. In government-to-government sales, is there any conceivable reason why agent's fees should be paid?

Mr. AKINS. None whatsoever.

Senator CHURCH. Why do we permit the practice to continue?

Mr. AKINS. We don't any more. At least we are now identifying the agent's fees, instead of concealing them.

In the past the agents' fees were concealed in the contract, and this is no longer the case.

Senator CHURCH. But until this committee made public the extent of the practice of payoffs and bribery, there was no such requirement.

Mr. AKINS. That's exactly right.

DISCLOSURE OF AGENTS' FEES

Senator CHURCH. Senator Percy and I have introduced a provision to the Foreign Military Sales bill, which has been adopted already by the Congress, which would require disclosure to the Department of State of all agents' fees, commissions, and other payments in connection with arms sales and disclosure by the Department to the Congress and the Securities and Exchange Commission and the Internal Revenue Service.

Do you support this concept?

Mr. AKINS. Absolutely. I don't see how it could do any harm to American business. In the long run it would help.

ESCALATING OIL PRICES AND ARMS SALES

Senator CHURCH. Since the increase of 500 or 600 percent in the price of crude oil from October 1973, the United States has quadrupled its sales of arms worldwide, and particularly in the Persian Gulf area.

So we seem to be caught in an escalating cycle of higher oil prices, followed by massive U.S. arms sales.

I would like to ask you some questions which relate to the U.S. Government's efforts to hold the oil price down.

THE OIL AUCTION

This subcommittee held extensive hearings on this subject during 1974. In July of 1974 Secretary of the Treasury Simon testified before this subcommittee that he had been assured by Sheik Yamani that an auction of a substantial quantity of Saudi oil would take place in August of 1974. It was hoped, of course, that that auction would tend to bring the oil price down. The auction never did take place.

Can you tell us why?

Mr. AKINS. I don't think that there's any doubt that Yamani intended to hold the auction. He talked to Secretary Simon and to me and to a number of other people. And we know that he fought for it inside the Saudi Government. The purpose wasn't so much to bring down prices through the auction, but to demonstrate what the real price of oil was and, armed with that fact, he would be able to go to OPEC meetings and argue for a lower price.

There were people inside the Saudi Government who strongly opposed holding the auction. And practically everyone else inside OPEC, notably Iran, Algeria, and Iraq, were all strongly opposed to the auction for the same reason Yamani favored it and why we would have liked to have seen it take place. But Yamani lost that one and the Saudi Government decided after representation from other countries in OPEC not to hold the auction.

Mr. LEVINSON. Did Yamani urge you to take this matter up with another higher official in the Saudi Government?

Mr. AKINS. Yes, we talked about that quite frequently. In fact, he asked me if I would take it up with Prince Fahd, who was then in London.

STATE DEPARTMENT DENIES PERMISSION TO ATTEND LONDON
CONFERENCE

Mr. LEVINSON. Did you request permission of the Department to go to London and discuss the matter with Prince Fahd?

Mr. AKINS. Yes.

Mr. LEVINSON. What reply did you get?

Mr. AKINS. I was turned down.

Mr. LEVINSON. Do you know why you were turned down?

Mr. AKINS. No, I don't. The reasons that they gave seemed frivolous.

Mr. LEVINSON. Such as lack of travel funds between Saudi Arabia and London?

Mr. AKINS. That was one of the reasons. The other was that my presence in London would be too conspicuous. I wasn't Elizabeth Taylor and I thought I could get into London quite easily without being noticed.

Mr. LEVINSON. So although urged by Yamani to pursue the matter with Prince Fahd, you were not able to pursue the matter.

Did this cause some subsequent inquiry on Yamani and other Saudis part as to why you didn't pursue the matter?

Mr. AKINS. Yes. Yamani and several other Saudi officials were, and I think still are, convinced that the United States is not entirely serious about wanting to bring down world oil prices.

I never told Yamani the reasons for my not going to London. This is the first time I said it publicly.

SECRETARY KISSINGER VISITS SAUDI ARABIA

Mr. LEVINSON. Continuing on the same line of how the Saudis perceive our position with respect to oil prices, in early 1975 or late 1974, Secretary of State Kissinger visited Saudi Arabia.

As you point out, the Saudis have generally been considered to be moderates on the price issue. That is, not favoring large increases.

Did they express a view in the course of that visit that in order to be effective in holding prices within reason, that the United States would have to assert its concern directly to the Shah of Iran?

Mr. AKINS. Yes, they did. That had been the Saudi position for quite some time, that Saudi Arabia favored steady or even lower prices. Not perhaps as much a decrease as we would have liked to have seen, but at least a modest decrease in prices. But Saudi Arabia was small, and weak politically; it would have had to have the support of other major oil producers, notably Iran. And because of our close friendship with Iran, the Saudis assumed we would be able to convince the Iranians they should cooperate with the Saudis in reducing oil prices.

Mr. LEVINSON. Was it your understanding that Secretary of State Kissinger intended to raise this issue with the Shah in Switzerland when he met with him following his trip to Saudi Arabia?

Mr. AKINS. Yes.

Mr. LEVINSON. Did you have the impression that the Saudi Government officials also understood this to be the case?

Mr. AKINS. Yes. The Saudi Government officials certainly had that impression.

SECRETARY KISSINGER MEETS THE SHAH IN SWITZERLAND

Mr. LEVINSON. In fact, the Secretary did meet with the Shah in Switzerland in early 1975, but you were not present at that meeting.

Mr. AKINS. No, of course not.

Mr. LEVINSON. But did you subsequently learn that the issue of oil prices was not raised by the Secretary with the Shah in Switzerland?

Mr. AKINS. No. All I have is the Saudi account. The Saudis say that they were told by the Iranians that the Americans understood why oil prices had to go up.

Mr. LEVINSON. The Saudis understood from their Iranian counterparts that as a consequence of these meetings between the Shah and Mr. Kissinger that the Americans understood that the price had to go up?

Mr. AKINS. Understood why prices had to go up.

Mr. LEVINSON. And was it your impression that the Saudi Government officials, or would it be fair to state that upon learning this, that Saudi Government officials concluded from your inability to obtain permission from the Department of State to go to London in August 1974, and from what they learned from their Iranian counterparts that the United States Government was not overly concerned with the oil price increase?

THE UNITED STATES POSITION ON OIL PRICES

Mr. AKINS. Yes, indeed. I told them, however, that my instructions were clear and unambiguous. I could only work with instructions I got from the State Department, and they were that the United States very strongly favored lower oil prices. I told them exactly why this was our position.

Senator CHURCH. But despite the instructions you were given, the impression in Saudi Arabia was that this was not actually the case.

Mr. AKINS. Well, they were baffled by it.

Senator CHURCH. They must have been baffled because the Secretary of State, when he had the opportunity to object to the high prices in his meeting with the Iranian Government, apparently failed to do so.

Mr. AKINS. I couldn't say that. He might have done it and the Iranians might have told the Saudis something which was quite untrue.

Senator CHURCH. But in any case, the Iranians told the Saudis that he failed to do so.

Mr. AKINS. That's right.

Senator CHURCH. Did you then report that to the State Department?

Mr. AKINS. Yes, I did.

Senator CHURCH. And what were you told in reply? Were you told that the Secretary had in fact objected to the higher oil prices or what were you told?

Mr. AKINS. No, I was told that they didn't know how the Iranians could have gotten that idea.

Senator CHURCH. That was all you were told?

Mr. AKINS. That's right.

Mr. LEVINSON. Were you told as well, Mr. Ambassador, that you should stop pressing the question of oil prices, that this was becoming increasingly irritable to the Secretary?

Mr. AKINS. Yes. That was in connection with Iran.

Mr. LEVINSON. And you were suggesting that if there were to be any significant or effective effort to lower oil prices that the effort would have to be made with Iran?

Mr. AKINS. That we'd have to have the cooperation of Iran, right.

THE AMBASSADOR IRRITATES THE SECRETARY

Mr. LEVINSON. You had the impression that your constant reiteration of this theme was becoming an irritant to the Secretary.

Is that a fair characterization, being generous?

Mr. AKINS. It was more than an impression.

Mr. LEVINSON. You had it direct?

Mr. AKINS. Yes, I was told that directly.

Mr. LEVINSON. You were told directly that you were becoming an irritant because you were pressing this question?

Mr. AKINS. That's right.

Senator SYMINGTON. Do you think that's the reason you were relieved of your job?

THE AMBASSADOR IS REMOVED FROM HIS POSITION

Mr. AKINS. I suppose that was one of the reasons.

Senator SYMINGTON. What others do you have in mind?

Mr. LEVINSON. Well, let's ask straight out. Did you have the impression that you were relieved as well because you were pressing on the question of the long-term political consequences of these corrupt payments by American corporations in Saudi Arabia? Was that one reason?

Mr. AKINS. No. That's one reason that never occurred to me. I was told just before I left by Prince Sultan, the Minister of Defense, that Khashoggi had boasted that he had gotten me removed from Saudi Arabia because of my blocking agents' fees and bribes, and we both laughed. We thought it was a big joke. I still think it's a joke but I don't think it's quite as funny as I did a few months ago.

Mr. LEVINSON. Were you fired or did you fail to get an assignment? This is equivalent to being fired because if you don't get an assignment within 90 days, you're automatically separated out. Was it because you were too candid and forthright in your views, especially directly to the Secretary of State?

Mr. AKINS. You'll have to ask the Secretary of State that question.

Senator CHURCH. Why do you think you were fired?

Mr. LEVINSON. What were you told as to why you were fired?

Senator CHURCH. One question at a time, Mr. Levinson.

Mr. AKINS. It's awfully difficult to give an objective answer to that question. Just about anything I say would appear to be self-serving.

Senator SYMINGTON. But you can answer it and let us decide. You're going to tell the truth, aren't you?

Mr. AKINS. It's something like this. When your own future is intimately involved and when your career in the Foreign Service is ending, it's difficult to be entirely objective. I have no doubt that I was quite abrasive and there's no doubt that as Sisco and others pointed out, I did annoy the Secretary, and I suppose that's sufficient grounds for removal.

THE AMBASSADOR'S RECORD AT STATE

Senator CHURCH. How long have you been in the Foreign Service of the United States?

Mr. AKINS. Twenty-two years.

Senator CHURCH. Were you charged at any time with having failed to carry out the orders of the Secretary in connection with American foreign policy in Saudi Arabia?

Mr. AKINS. Never. There were a number of instructions that I got that I thought were unwise or even stupid, and I would tell the Department what I thought of these instructions and generally—

Senator CHURCH. It's the responsibility of an ambassador to express his dissent, is it not?

Mr. AKINS. Of course it is. At least I think so.

Senator CHURCH. Unless we're going to be represented by yes-men all over the world.

Mr. AKINS. In which case you don't need ambassadors; you need clerks.

Senator SYMINGTON. How do you know they thought it was stupid, or why did you think it was stupid?

In other words, clear that up.

Mr. AKINS. Well, I was sure some of the instructions would not advance American interests. Some of them I thought would hurt American interests and if I got such an instruction, I would tell the Department.

Senator SYMINGTON. Give us an illustration of that.

Mr. AKINS. Well, I can't really because they are all quite classified still.

Senator SYMINGTON. You can't classify oil. You can raise the price but you can't classify it.

So what you're saying is that they asked you to do things which were against the best interests of the United States?

Mr. AKINS. I thought so, and I pointed it out, and the Department generally agreed with me.

INSTRUCTIONS FROM STATE DEPARTMENT WHICH WERE UNWISE

Senator SYMINGTON. Can't you give us one illustration of it? Try, because it's important for the record.

Mr. AKINS. Well, there was one instance where some of the details have come out already. During the Arab oil boycott, of 1973-74 I was instructed to present an ultimatum to the Saudis. The boycott was just about to be lifted and things were going very well, I was convinced that if the ultimatum had been delivered to the Saudis, it would have set back our efforts to lift the embargo.

I took this up with the Saudi Foreign Minister at the time, told him I was showing the instruction to him in a private capacity. I wanted his reaction, but before I took it up with the King. Well, he gave his reaction; it was very strong and very negative.

I went back to the Department and told it what I thought would happen if it were presented in that form. It was withdrawn, a very conciliatory message was given and the boycott was lifted within 2 weeks.

Now the foreign minister, Omar Saqqaf, told me that he had shown the original draft to the King, although I had asked him not to. He said that he thought he had to because it was important and he didn't think that it would be changed. And the King said if the message had been given, Saudi Arabia would have broken diplomatic relations with the United States.

Senator CHURCH. You were then really trying to do your job, and you dissented, and you were giving the Department the best judgment you could. And in some cases they accepted your advice and in other cases I assume they did not. But in any event, you were never charged with any form of insubordination. You finally carried out whatever final decision or order you were given.

Mr. AKINS. That's right. Insofar as I know. That is, I'm assuming that our policy is to reduce oil prices. Now if our policy is something else, I can't really be expected to follow something I hear in back corridors.

Then there was the question of invasion of Saudi Arabia. I took a very strong position against it, but as far as I know, our policy was not to invade, and we don't have a policy of threatening to invade.

As I pointed out, I don't take my instructions from the New York Times or the Washington Post. There are perfectly legitimate, straightforward, honored, traditional means of informing ambassadors what policy is, and they don't include background briefings to the press.

Senator SYMINGTON. Excuse me, I'd like to pursue my question a little bit. You were given an instruction and you gave it and it was very much to the benefit of everybody that you did give it because it prevented severing of relations and continuation of the boycott and so forth, and yet, you gave it as an illustration of something you did that you think was incident to your being discharged.

Could you clarify that?

Mr. AKINS. No, that was an instance of an instruction that I considered particularly inept and stupid. And what I did to try to get it turned around, and it was turned around.

Senator SYMINGTON. But that should be in your favor.

Mr. AKINS. Not necessarily.

Senator SYMINGTON. I'd like for you to explain a little more. I don't understand that. I'd just like to understand your story. Why not necessarily if it's good for this country? Why would they be sore at you to the point that they'd want to get rid of you?

Mr. AKINS. Well, if you have somebody who is constantly telling you you are wrong, it's not particularly nice to have him around, I suppose.

I have worked for a number of people in the State Department with whom I have had rather strong disagreements. Jules Katz in the State Department was one. But Jules Katz was also the best person I've ever worked for. He's a man of the highest honor and highest integrity, but we fought all the time.

I must have been a terrible thorn in his side.

Well, some people can take it and some people can't.

Senator CHURCH. Mr. Ambassador, I would like to raise another issue with you.

Mr. AKINS. Incidentally, I hope that's not going to hurt Jules Katz.

Senator CHURCH. I'd like to raise another issue with you.

THE EFFECT OF THE BUSINESS WEEK ARTICLE ON THE MIDDLE EAST

Senator PERCY. If I could just remind the Ambassador, I was over in the Persian Gulf at the time that the Business Week article came out with the implication that there was going to be an invasion by the United States. There's no question that this was the most disturbing single factor that could have possibly disrupted our relationships out there, because everyone preoccupied themselves with that question. I cabled the Secretary from one of the Gulf States, and received the answer through you. We did get a rather full, detailed explanation as to what was really done. Based on that, we did provide assurances to King Faisal and others who asked from that point on, President Sadat and others, as to a clarification.

Was that cable, as you recall it, adequate clarification for you of what otherwise was a very confusing situation? I imagine I was faced with the same thing every ambassador was out there.

Mr. AKINS. That was the Business Week article, and that didn't cause us so many problems. I took it up with the King immediately and told him I had said the same thing, even stronger things, myself.

What bothered the Saudis were the articles that started appearing, a very strange series of articles, about 12 in magazines, newspapers, all calling for the occupation of Saudi Arabia. And the Saudis are sophisticated enough to know how we operate. They know the background press briefings, they know the deep background. And a series of 12 articles seems to have been too much to be a coincidence. They wondered if this really weren't the U.S. policy. I, of course, assured them that it was not, that the policy was what I was told officially and what the Secretary had said to them, that was U.S. policy.

Senator PERCY. Thank you, Mr. Chairman.

THE QUESTION OF SOMALIA

Senator CHURCH. I would like to take up the subject of Somalia for a moment with you.

Saudi Arabia has been a centerpiece of U.S. strategy in the Middle East. It's a government that has considerable influence with its neighboring governments, the Moslem governments in particular.

Was Saudi Arabia, while you were Ambassador, concerned about the growing Soviet influence in Somalia when they were told that the Russians were in the process of establishing a naval base of some kind in that country?

Did Saudi officials ever express any concern over that development?

Mr. AKINS. Yes, they did. But the main concern was the one that we engendered. That is, we told the Saudis that there was a Russian navy base there; we showed them aerial photographs we had of the base. These were the ones that were subsequently released by Secretary Schlesinger to the Congress.

We told them the dangers that this would cause to them and cause to us in the Middle East, and they were indeed very concerned.

Senator CHURCH. Did they indicate that they were prepared to take some kind of action that might have been helpful in eliminating or reducing this Russian influence or stopping the development of a Russian base in Somalia?

Mr. AKINS. Yes, they did. We asked them to and they agreed.

Senator CHURCH. And when you say we asked them, you mean you asked them?

Mr. AKINS. I asked them upon instructions.

Senator CHURCH. And then what? When they agreed, you reported that to the State Department?

Mr. AKINS. Of course.

Senator CHURCH. And then what happened?

Mr. AKINS. The Saudis then took this matter up with the Somalis. Somalia is a very poor country and the Russian economic and military assistance is rather important to them. The Saudis said that they would take over the economic burden. That is, they would replace the Russians' economic assistance, but there was the question of Russian arms for Somalia. If the Russians were to withdraw, presumably the Somalis would have no military equipment.

And they asked if we would provide the equipment for them, and they would probably pay for it. Not a very large amount was involved, about \$15 million, I think.

Senator CHURCH. Well, let me get this straight. The Saudi Arabian Government agreed that it would furnish the economic aid that had been promised to Somalia by the Russians if we would furnish the military aid that had been promised to Somalia by the Russians. Is that correct?

Mr. AKINS. But the Saudis would pay for it.

Senator CHURCH. They would pay for all of it?

Mr. AKINS. The Saudis first thought we should pay for it if we were serious about removing the Russians, but I am sure they would have paid for all of it; it wasn't much.

Senator CHURCH. That must have been greeted with a great expression of relief and considerable enthusiasm in the State Department, wasn't it?

Mr. AKINS. I don't know. I never got any response from the State Department.

Senator CHURCH. You communicated this to the State Department and they never responded?

Mr. AKINS. That's right.

Senator CHURCH. We have been told again and again up here in the Congress about the concern of this administration about the development of that Russian base in Somalia and the need, therefore, for establishing in the Indian Ocean at a large expense, a new American permanent naval base at Diego Garcia, and thus create a presence in the Indian Ocean that we had never thought necessary before.

Senator SYMINGTON. Mr. Chairman, this is fascinating.

Senator CHURCH. Are you telling us that you told the State Department that the Saudi Arabians would pick up the economic aid and also pay for the military aid to Somalia and thus replace the Russians and the Department never even responded?

Mr. AKINS. Yes. The Saudis raised this with me quite frequently. In fact, they wanted to know what the State Department response was going to be to this.

Senator SYMINGTON. Could I ask this question?

Do you think that if we had agreed to letting Saudi Arabia do it, that the Somalian Government would have preferred to have received it from Saudi Arabia than from the Soviet Union?

Mr. AKINS. That I don't know. All I know is what I have just said, that the Saudis thought that they could do this. They thought that with the supply of a modest amount of American military equipment, which they would pay for, that it would be possible to get the Somalis to agree to remove the Russians.

Now whether they were overestimating their abilities, I can't say. All I can say is that they would try.

NO REPLY FROM THE STATE DEPARTMENT

Senator SYMINGTON. Well, you have friends in the State Department. You've been in it 22 years. What was the opinion of the people as to why they did not respond? We know that there are certainly people in this country that wanted to put that base out there regardless of whether the Soviets had a base in Somalia or not.

In other words, we wanted to get into the Indian Ocean with our fleet, according to some of these super-military people. We know that. That's a matter of record. But didn't anybody explain to you why the State Department didn't pick this up, at least as an effort to keep the Soviets out of there? This was a big argument used in order to establish that base, which we have done.

Mr. AKINS. That was one of the arguments, that's right.

Senator CHURCH. It was an argument that had great persuasion in the Congress. Although I think both Senator Symington and I were against establishing Diego Garcia, the prevailing view was that since the Russians were in Somalia, it was necessary for us to establish a base in Diego Garcia because they were there.

Now you're telling us that the Saudi Arabians made an offer which could well have, and certainly ought to have been tested in Somalia, which would have replaced the Russian presence there at Saudi Arabian expense.

Right?

Mr. AKINS. Right.

Senator CHURCH. And you didn't even get a reply from the State Department?

Mr. AKINS. That's essentially correct. There was no instruction to pursue this further.

Senator CHURCH. No instruction to pursue it further or to determine whether or not it would work?

Mr. AKINS. That's right.

Senator CHURCH. And thus eliminate the thorn of a Russian presence in Somalia.

Mr. AKINS. One cannot say that the Saudis would have been successful. We just don't know.

Senator SYMINGTON. Who did you report to in the State Department?

Mr. AKINS. I sent a telegram to the State Department.

Senator SYMINGTON. Was it the Assistant Secretary of State in charge of that part of the world?

Mr. AKINS. No, it just goes to the State Department, and it's distributed to the appropriate bureau.

Senator SYMINGTON. Who would you suggest that this committee call in order to find out why they did not?

Mr. AKINS. The Assistant Secretary for African Affairs.

Senator SYMINGTON. What is his name?

Mr. AKINS. Schanffle.

Senator SYMINGTON. He's out there with Kissinger now?

Mr. AKINS. Yes, but he's new. He wasn't in the Department at the time of the incidents.

Senator CHURCH. Did you follow up and inquire why you were not getting any response from the State Department on anything as exciting as the possibility of ridding ourselves of the Russian presence in Somalia?

Mr. AKINS. I sent in reports of the Saudi inquiries as to why they had not heard from us.

Senator CHURCH. What was your impression? That they were not interested? Why were they uninterested in such a possibility? Because somebody else was proposing to pay for it and that got to the pride of the Department?

Mr. AKINS. That doesn't seem likely.

CONGRESSIONAL APPROVAL OF DIEGO GARCIA

Senator CHURCH. But there must have been some other reason. At about that time the Congress was considering giving its approval to Diego Garcia.

Isn't that correct?

Mr. AKINS. At about that time.

Senator SYMINGTON. You couldn't get the Saudi Arabians to promise to buy American equipment.

Mr. AKINS. They bought American equipment. That wasn't the problem.

Senator CHURCH. What was involved, though, was the congressional decision over Diego Garcia. Didn't you get that impression?

Mr. AKINS. One would have to be pretty dense not to make this connection, but I have no proof. I have no indication whatsoever that there's any connection at all.

You'll have to get that from someone else.

Mr. LEVINSON. Without naming any names, the fact of the matter is that you had the strong impression that the lack of enthusiasm was due to the fact that we were interested in getting Diego Garcia approved, and the base in Somalia was an important part of the argument. Isn't that the fact?

Mr. AKINS. I wouldn't go that far. That is, I said that I might have reached that conclusion deductively, but I have gotten this from nobody who actually knew the facts.

Senator SYMINGTON. Do you know if the matter was taken up at the National Security Council?

Mr. AKINS. No, I don't. I would certainly assume that it had been, but I don't know that.

Senator CHURCH. The circumstantial evidence would suggest that there was a connection between the desire of the administration to persuade the Congress to establish Diego Garcia and the convenience of a continued Russian presence in Somalia as the basic justification for the base.

Senator Percy will be returning. He left for the vote and indicated that he would like to question you upon his return.

You can be certain that this subcommittee will undertake to determine why the State Department showed such indifference to a proposal of that kind. It's a very disturbing development, I think, as far as your testimony goes, and it raises a question that had not yet occurred to me, at least, about Diego Garcia and the purposes of the administration in that part of the world.

SENATOR CHURCH COMMENDS AMBASSADOR AKINS

I must say that I have been extremely impressed on those occasions when you have come before the subcommittee and when I have heard you testify before the Foreign Relations Committee, impressed with your candor, impressed with your strength of character, impressed with the way you undertook to discharge your responsibilities as our Ambassador in Saudi Arabia. I think that such a distinguished career deserved better treatment than you received in being dismissed as

you were without ever having been given a satisfactory explanation. The vanity of the Secretary of State is hardly sufficient justification in light of a career like yours. I would express my own view, I'm not attempting to implicate you in this assessment, but I do think that our foreign policy depends to a large degree upon obtaining men of your caliber to represent us, and I want to commend you for the way you attempted to discharge your responsibilities as our Ambassador to Saudi Arabia. We wish you well in whatever may await you as you leave the Government because you deserve the best of opportunities in the future considering the way you have served the country in the past.

Mr. AKINS. Thank you.

Senator CHURCH. Now Senator Percy, may I turn the rest of the hearing over to you?

QUESTIONS FROM SENATOR PERCY

Senator PERCY. I have just a few questions, and if they have been answered while I was out, I'll just go back to the record.

I would be most interested because we have followed with great interest and concern what happened in Japan after the Lockheed revelations and so forth. There it was easier to follow because it is a fairly open society and the press reported copiously on this matter.

EFFECTS OF LOCKHEED AND NORTHROP REVELATIONS ON SAUDI ARABIA

We're not as familiar with the reactions in Saudi Arabia. Could you tell the subcommittee what the result was of the Lockheed and Northrop revelations inside Saudi Arabia?

What was the reaction there and what was done as a result of those revelations?

Mr. AKINS. Among a large segment of the population there was, I should say, considerable satisfaction that this had finally come out in the open. There had been rumors, there had been suspicion that there had been large payments. As I said earlier, this was the reason the Saudi Government asked us to take over the military sales. That is, to go government-to-government rather than company-to-government. They knew that there were very high agents' fees paid on the company-to-government sales and in some cases as high as 20 and even 30 percent.

They thought that there were no agents' fees paid in the government-to-government deals. They thought this, if the records you have released are correct, because they had been assured that this was true by the American Government that this was the case. This was the thing I think they found the most shocking, that there were, indeed, very large agents' fees, \$60 million, \$70 million in connection with government-to-government sales. They didn't like that at all.

Their reaction was to issue a royal decree forbidding the payment of all agents' fees on all military contracts, that is for all goods and for services—a flat forbidding of all agents' fees.

They are now considering, and they may even have issued in the last few days, another decree limiting agents' fees to 5 percent on all civilian contracts.

Senator PERCY. Is it your judgment that the United States Government misrepresented this issue?

Mr. AKINS. I don't know. That is, I've seen the Northrop document which alleges that my predecessor told the Saudis there were no agents' fees.

If that's true, this was indeed a misrepresentation.

U.S. GOVERNMENT AWARENESS OF AGENTS' FEES

Senator PERCY. To your knowledge, did the Government at that time have knowledge that there were agents' fees?

Mr. AKINS. Our Government?

Senator PERCY. Yes.

Mr. AKINS. Of course.

Senator PERCY. So this would constitute misrepresentation?

Mr. AKINS. I don't know whether Mr. Thatcher knew this, and I don't know what Mr. Thatcher said to the Saudis. All we have are Northrop documents which allege that he said this.

Senator PERCY. Do you have any idea why this might be done, why this might have been done?

Mr. AKINS. By Northrop? Northrop would have done it, I presume, in order to smooth the way for their agent. Why the U.S. Government would have gotten involved is something else. I resented Northrop using the American Ambassador in such a fashion, whether he knew it or didn't know it.

Senator PERCY. Why did the Saudis believe that there were no commissions?

Mr. AKINS. Allegedly because they were assured by the American Ambassador that there were none. According to the document that we have seen, Prince Sultan, the Defense Minister, said he had thought there were agents' fees, but now, with these assurances from the American Ambassador, he would of course take his word that there were none.

SINCERITY OF SAUDI POLICY

Senator PERCY. Are you convinced that the new policy of the Saudis is a sincere policy and can the crown enforce that policy?

Mr. AKINS. Yes.

Senator PERCY. You have no doubt that it will?

Mr. AKINS. Well, there are always doubts, of course, but I'm quite convinced that they're going to make an effort to eliminate agents' fees entirely on military contracts, and bring them under control on the civilian side.

Senator PERCY. There have been inferences that have been made and because of your own intimate knowledge, I'd like to give you the opportunity on the record to clarify those.

THE SAUDIS AND THE OIL COMPANIES

Do you see any sinister plot between the Saudis and the oil companies against world oil consumers in terms of the Aramco sale or in terms of competition in the crude oil industry?

Mr. AKINS. No. But the Saudis are going to take over the oil companies completely as have most of the other countries in OPEC.

I don't think that the oil companies are going to have much to say on oil policy or oil prices in the future.

SAUDI RESPONSIBILITY

Senator PERCY. It has been my general impression that the Saudis have, taking into account their role in OPEC—and they have a huge supply of a dwindling resource and an increasingly valuable one—but could you describe the degree of responsibility they have maintained against other countries in OPEC in trying to have a degree of stability and not having just an escalation of oil prices?

Mr. AKINS. I have gone over with the Minister of Oil, Ahmad Zaki Yamani, and with his deputies, with the Crown Prince and with the King himself, the dangers to the world economy, the non-Communist world economy of the sudden increase in oil prices, and explained why they should take a position of leadership inside OPEC to restrain further price increases and if possible to bring down prices.

They understood this full well. The Saudi position has been based, I think, exclusively on their view of their responsibility to the non-Communist world.

They have been criticized by other OPEC countries about their position, but there's no doubt of the role the Saudis have played inside OPEC, absolutely none. We know what goes on inside of OPEC. It's scarcely a secure organization, and we know that Saudi Arabia, frequently standing alone, has fought against further price increases. Indeed, it has tried to put a lid on price increases.

After the last meeting in Vienna, President Ford wrote a letter of congratulations to King Khaled, and Secretary Kissinger wrote to the Crown Prince and to the Minister of Oil thanking them for the extraordinarily positive role Saudi Arabia played at the OPEC meeting.

The Saudis were then very concerned when they read newspaper articles very shortly thereafter attacking them, saying that this was a big charade and that they had worked this out in advance with the Iranians so that they, the Saudis, would appear to be the white hats and lull the world into accepting a 10-percent price increase when there really shouldn't have been any.

I'm frequently asked if I think the Saudis are sincere. It's not a question of "thinking"; it's a question of knowing. We know what the Saudi position was and we know that it was price restraint.

PRESENT OIL NEGOTIATIONS

Senator PERCY. Could you comment on the basis of the present oil negotiations in Teheran? How should we interpret the results when those negotiations end and what do you see ahead for the future of world oil prices?

Mr. AKINS. The next OPEC meeting is at the end of this month and most of the countries in OPEC are certainly going to push for price increases.

I have just come back from the Persian Gulf and stopped in Baghdad on the way back. The Iraqis claim that the cost of their imports since the last OPEC price increase had gone up, by 50 to 80 percent; and that therefore there should be a very substantial oil price increase.

The Iranians are putting pressure on the oil companies and on the governments to increase oil production in Iran because of the vast capital needs of Iran.

Well, they haven't gotten the increased production and their imports are also more costly. They, too, are going to be looking for price increases in the near future.

I don't know what the price increase will be. I hope it is nothing. The Saudi position has been that there shouldn't be any at least for another year, and obviously, we hope this position will prevail. But they're going to be standing alone. No, Abu-Dhabi is going to be with them, too, but the rest of OPEC is going to be pushing for a price increase.

I should think we'd be quite fortunate if it's 10 percent.

U.S. POLICY IN MIDEAST

Senator PERCY. I'd like to draw upon your expertise in the Mideast now and ask you if you were Secretary of State, what should the United States do now in the Mideast?

Can you evaluate as a success or failure our overall policy to date, and what do you think the United States of America should do?

Mr. AKINS. George Ball had a good article in Newsweek about 4 or 5 months ago. I think it was a very good outline of what should be done.

Senator PERCY. Would you want to just expand, though, on your own. I remember the article and I don't think the administration would request that it be inserted in the Congressional Record, as I recall it.

Would you care to enumerate a few of the points that you feel should be done now to move toward a solid and lasting peace in the Middle East? Has our policy to date, to this moment, at least, and there has not been a war and there could have been, had a degree of success you can point to even though you have been critical of many aspects of our policy?

Mr. AKINS. Well, the initial disengagement was obviously necessary. That is, it was important to separate the Israeli and Arab armies.

Once that was done—and there is an important element of hindsight here—we shouldn't have gone on to another step-by-step adventure. Surely today it's clear that we have to look at an overall settlement in the Middle East. As George Ball pointed out, it's clear to everyone who works in the Middle East what the overall settlement is going to look like, if there's going to be peace in the Middle East. That is essentially Israel, within its 1967 borders, a Palestinian state, a special status for a unified Jerusalem, and security guarantees for Israel that Israel itself considers adequate.

ASSURANCES FOR ISRAEL

Senator PERCY. What kind of assurances do you think would be adequate for Israel?

They have reason to be very concerned and very skeptical. What kind of guarantees could be provided? Would you perceive the possibility that the United States might join at some point in an overall settlement and some part of a guarantee ourselves?

Mr. AKINS. Either an overall guarantee or a bilateral guarantee to Israel, or to Israel and several of the surrounding states.

I don't know whether the Senate would approve of that. But I think it certainly should be carefully considered for it will really be an essential part of the peace.

The question of secure boundaries for Israel is very important. Moshe Dayan several years ago advanced an idea, and I don't know whether he's still pushing it or whether his government has considered it, and that is the possibility of Israeli leases, not annexation but Israeli leases for 20 years on certain parts of the Golan Heights and elsewhere. That would be a conceivable solution.

Senator PERCY. Finally, on a personal note, you and I have never had any difference of opinion as to whether you should accompany me on my visit that you arranged for me with King Faisal. I would not have gone without the American Ambassador, as I did in every single case.

But I tried to make it very clear to every Arab leader that should any attack be made from the Arab world on Israel, there would be no question but that the United States would stand foursquare behind Israel.

But I tried to also make it equally clear to the rulers of Israel that should there be a disruption of the peace breaking up the step-by-step negotiation, something that might lead to a fifth war from the other side, that they could not expect the same degree of support and cooperation that we've always provided, because now we have put our whole national reputation on seeking peace.

There's a lot of misunderstanding about what I said when I came back, and I might not have been as clear as I should have been.

Mr. AKINS. You were very clear.

Senator PERCY. But do you believe in your balanced judgment, that the best hope for peace in the Middle East is that the United States continue to play a constructive credible role on both sides and be accepted by both sides as a credible nation seeking peace, which is in the best interest of everyone?

Mr. AKINS. I don't think there's any other possibility of peace in the Middle East.

THE ROLE OF THE PALESTINIANS

Senator PERCY. And is it true that also in Saudi Arabia where I tried to point this out to His Majesty, that they would be the last ones to want to see a radicalized Palestinian state?

The Palestinians, as I saw most of them in the Middle East, are not the guerrillas. Less than 1 percent of the 3¼ million Palestinians out there are guerrilla forces or radical forces. They are highly educated, scientific, professional people who, if they could be in charge of a Palestinian state rather than the radicals; if the radicals were, they would be the greatest threat to many of the Arab countries.

And I think we had general agreement on that. So there is really a coincidence of viewpoint and objective on the part of moderate leadership in the Arab world and moderate leadership in Israel to find a basis for peace.

And I think you have long sought that goal and objective. I would like to ask you if you haven't already been asked what your personal plans are now, what you intend to do, if you don't mind, just between the two of us? Because I hope your knowledge in this field is going to continue to be available, just as this committee has seen fit to call you before us because of your expertise.

Senator SYMINGTON. Could I ask one question?

Senator PERCY. Senator Symington, I'm flattered that you asked me if you could ask a question. You know, you outrank me.

DIEGO GARCIA

Senator SYMINGTON. Are you under oath, Mr. Ambassador?

Mr. AKINS. Yes.

Senator SYMINGTON. As the ranking member of the Armed Services Committee, I have been intensely interested in the Diego Garcia situation, and I opposed that base.

Were you ever told that the United States did not desire to pursue the Saudi Arabian offer to put up both the military and the economic aid to Somalia, because of a desire to use the fact that the Soviets were establishing a military position in Somaliland as a means of getting the Diego Garcia base through the Congress?

Mr. AKINS. I was told this by somebody who had no access to firsthand information and therefore I cannot say that it is true.

Senator SYMINGTON. Was it a member of the State Department?

Mr. AKINS. Yes.

Senator SYMINGTON. An official of the State Department?

Mr. AKINS. Yes, but I would rather not identify him.

Senator SYMINGTON. Well, I can understand that, but was he a clerk or a waiter or something?

Mr. AKINS. No.

Senator SYMINGTON. If this is true, it's the most disgraceful thing I've ever heard in the 31 years I've been in the Government, the fact that Saudi Arabia offered to put up all the military aid as well as the economic aid to Somalia and that you so reported to our Government and at that time the Diego Garcia situation was again before the Armed Services Committee. You say that you reported that to Washington, that you got no answer and that you were told by an official at the State Department that the reason that you got no answer was that they wanted to use it to get this base through the Congress, and they knew they had a lot of opposition.

Is that correct?

Mr. AKINS. Well, not quite, but almost.

Senator SYMINGTON. Well, it can't be almost this or almost that. It either is true or it isn't.

Mr. AKINS. Well, let me say what happened. I told you what happened in Saudi Arabia, that the Saudis agreed with our proposal that they explore with the Somalis what they thought was a solution. There was never any connection to Diego Garcia in our talking with the Saudis.

The Saudis, I might add, were not at all disturbed by the prospect of our having a base in Diego Garcia. That was not at issue.

Senator SYMINGTON. Nor was it an issue with me, nor was it of particular interest to me.

Mr. AKINS. What was of interest to them was the Russian presence in Berbera, and when I came back from leave I did ask why I had not gotten a response to this cable, and I was told by one official of the State Department that it was essentially as you have described.

But this was a person who is not in the African bureau, someone who didn't know. I was already, of course, on the way out in this Foreign Service, and wasn't in a position to make any further inquiries.

Senator SYMINGTON. But you didn't know that he didn't know.

Mr. AKINS. No.

Senator SYMINGTON. And it must have been discussed.

Mr. AKINS. I presume it was.

Senator SYMINGTON. If you sent a cable in, a lot of people invariably read the cable.

Mr. AKINS. I presume that this was discussed very carefully but I don't know that.

Senator SYMINGTON. Now, I've been trying to figure since your testimony why anything as dishonest as this was ever done because I listened over a period of weeks to the reasons why we had to have Diego Garcia as protection for the United States. And from what you say, we didn't need it on that basis at all because the No. 1 reason given us was that the Soviets were in Berbera.

Mr. AKINS. Well, I've also said repeatedly that we have no assurances that the Saudis could indeed have gotten them out.

They thought that they could.

Senator SYMINGTON. Well, that isn't the point, is it? At least you could have made the effort.

Mr. AKINS. I thought so too.

Senator SYMINGTON. Thank you, Senator.

AMBASSADOR AKINS' FUTURE PLANS

Senator PERCY. I'm not sure I had an answer to my question as to whether or not you'd like to announce at this time what your plans are?

Are you going to write a book?

Mr. AKINS. Who knows? I'll talk to you about it later.

Senator PERCY. Thank you very much. The hearings are recessed and thank you very much.

[Whereupon, at 3:45 p.m., the hearing adjourned, subject to the call of the Chair.]

[The following material is reprinted from the Congressional Record, May 6, 1976.]

[Reprinted from the Congressional Record, May 6, 1976]

DIEGO GARCIA

Mr. CULVER. Mr. President, it will be recalled that last summer when the administration proposed naval base expansion on the Indian Ocean Island of Diego Garcia was considered, the Defense Department, in dramatic fashion, contended that this expansion was necessary to offset Soviet military activities in Somalia.

Tuesday, former U.S. Ambassador to Saudi Arabia James Akins testified before a Foreign Relations Subcommittee that, at this very time the Congress was considering this issue, our State Department was turning a deaf ear to a Saudi Government offer to finance military and economic assistance programs in Somalia as a means of eliminating the Russian presence there.

This is only the most recent revelation of this Indian Ocean drama of determined military expansionism, deception, and coverup, and flat refusal to so much as try negotiations and other nonmilitary means to achieve mutual arms restraint.

If our Government proceeds on its present course, we may well unnecessarily trigger another superpower arms race in a comparatively stable area of the world at the expense of billions for new naval forces to build a third ocean fleet.

In this post-Vietnam period, with so much at stake for the future, Diego Garcia represents a crossroads of U.S. foreign policy and it is essential that the American people be given the true facts of the Diego Garcia—Somalia—Indian Ocean story.

Why are our leaders afraid to try negotiations? Why are they afraid to encourage cooperation among Persian Gulf states to resist Soviet influence? Why has it been considered necessary to be so secretive and to deceive the Congress and the American people?

We were told that the islands were uninhabited, when in fact a secret deal was made with the British to evict the settled, local population.

We were told that we got base rights without charge, and yet that same secret deal permitted the British to be credited with \$14 million in payments to the United States—facts which were not fully reported to the Congress until last fall.

We were told that the Russians had "missiles" in Somalia, only to learn later that these were the old, 1950's vintage Styx antiship missiles which the Russians had given to over a dozen other countries.

In its headlong rush to build the base at Diego Garcia, the administration pulled out all the stops. It has consistently ignored the explicit guidance of the Congress to seek mutual naval arms limitation agreements with the Russians before proceeding with construction.

Mr. President, these tactics of delay and avoidance are losing us friends and influence in the Indian Ocean. Coupled with these latest revelations, these decisions amount to a policy of surrender to Soviet influence.

Right now, the United States is blamed for starting superpower military rivalry in the Indian Ocean, and the Russians largely escape criticism. We need an American diplomatic counterpunch to convince the nations of that region that we are willing to limit our own activities, in return for similar restrictions on the U.S.S.R.

By remaining silent when we could be taking the lead on this issue, we are handing the Russians a cheap, and undeserved, propaganda victory.

We have been told repeatedly by our leaders that the United States must negotiate from a position of strength. We have that strength—clearly and unequivocally—in the Indian Ocean. But what good is the strength if our Government refuses even to try negotiations?

In a report to Congress, the State Department said that initiating mutual arms restraint negotiations in that area would be "inappropriate" at this time, that it might be interpreted by the Soviets as acquiescence in their activities in Angola and Somalia.

If a willingness to negotiate force reductions is ruled out by our Government as a sign of weakness, then it would appear we are locked into the cold war and the arms race from here to eternity.

With so much at stake for the future, the American people have a right to know in what direction our leaders are taking them.

It is generally agreed that the realities of a changing world in the post-Vietnam era call for new directions in U.S. foreign policy. Last year in the Senate we conducted what was billed as a "great debate" on the subject. In the course of that dialog, a number of Senators stressed the need to search for nonmilitary options wherever possible to settle international disputes. The need for clear-cut objectives in the conduct of our foreign relations was underscored, as was the need for closer linkage between perceived foreign policy goals and military spending.

Secretary Kissinger himself has spoken of the opportunity our generation has "to shape a new international order." And he has pointed out that if we miss that opportunity, "we shall live in a world of increasing chaos and danger."

The rhetoric awakens hope for new realistic initiatives in foreign and defense policy. Yet, when confronted with an actual situation, as in the Indian Ocean, the administration reverts to the old cold war formula of military expansion and manipulation through secrecy and deception to frighten Congress and the American people into concurrence.

Mr. President, the curtain has now been partially lifted on the selling by the administration of the naval base expansion on Diego Garcia.

It is a shocking example of the deception of Congress and the American people.

Even more shocking are the implications to the future of U.S. foreign policy of this recent example of the conduct of our foreign and defense policy.

All the way along, administration leaders have flatly rejected the urging of Congress to at least attempt negotiations and other nonmilitary initiatives to preserve a safe strategic balance between our country and the Soviets before plunging into expansionist policies that may trigger a massive and deadly extension of the superpower arms pact.

It is one thing to rule "detente" out of our official vocabulary. It is another thing to rule commonsense out of our foreign policy.

I repeat, Mr. President, that the people have a right to know where their leaders are taking them. If the future is to be a continuation of the cold war, they are entitled to the truth.

I therefore conclude that, in light of what has been revealed thus far, we urgently need a full-scale investigation by Congress of the administration's military expansionist policies and cold war coverup in the Indian Ocean.

SENATE JOINT RESOLUTION 193

Later today, Mr. President, I shall submit a joint resolution that will call for the suspension of funding in the Diego Garcia program until Congress has had an opportunity to conduct such an investigation fully.

Mr. President, the State Department responded in a most pathetic way on April 15 to our congressional request to initiate negotiation efforts with the Soviet Union on this subject. I ask unanimous consent to have printed in the RECORD that response, together with an editorial published in the Des Moines Register, which deplores the refusal of the administration even to try negotiations, and a background paper prepared by my staff, which, hopefully, will help document this sorry episode.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

REPORT ON INDIAN OCEAN ARMS LIMITATION

The Executive Branch has given careful consideration to the issues involved in arms limitation in the Indian Ocean area. We have examined the technical problems involved in any such limitation and we have considered the issue of arms limitation in the broader political context of recent events in the region, as well as our overall relationship to the Soviet Union. We have concluded that although we might want to give further consideration to some arms limitation initiative at a later date and perhaps take up the matter with the Soviet government then, any such initiative would be inappropriate now.

The situation in the Indian Ocean cannot be considered in isolation from past and possible future events on the African mainland. Soviet activities in Angola and the Soviet buildup of facilities in Somalia have raised major questions about the intentions of the Soviet Union in areas bordering on the Indian Ocean. While reemphasizing our support for majority rule in Africa and for political solutions of regional problems by regional states, we have made clear that we cannot acquiesce in the use of Soviet or surrogate forces as a means of determining the outcome of local conflicts.

We are now seeking to encourage the Soviet Union to conduct itself with restraint and to avoid exploiting local crises for unilateral gain. An arms limitation initiative at this time in a region immediately contiguous to the African continent might convey the mistaken impression to the Soviets and our friends and allies that we are willing to acquiesce in this type of Soviet behavior.

For these reasons, we could not consider seriously an arms limitation initiative focused on the Indian Ocean without clear evidence of Soviet willingness to exercise restraint in the region as a whole. This view has been reinforced by our examination of the technical issues which would be involved in any arms limitations negotiations. Although the technical complexities do not in themselves preclude negotiations, it is evident that a successful arrangement could occur only within a general political framework of mutual restraint in this region.

Clearly, it is not in our interest for this region to become a theater of contention and rivalry, nor would the states of the area welcome such a development. In fact, over the past two years the naval deployments of the United States and the Soviet Union have remained relatively stable. For our part, we will continue a policy of restraint in our military activities in the Indian Ocean area. We intend to proceed with our planned improvements to the support facilities on Diego Garcia, but there is no present intention to go beyond the plans as presented to the Congress last year or to increase our naval deployments to the area.

We, of course, hope that the Soviets will exercise restraint in this area. We will watch carefully to determine the impact on the Soviet military presence of their expansion of naval and air support facilities in Somalia. Restraint in Soviet Indian Ocean deployments, coupled with a more general forbearance from adventurism in the region as a whole, would provide a better context for considering the possibilities for arms limitation in the Indian Ocean. Thus, while we will keep open the matter of a possible future arms limitation initiative as a potential contribution to regional stability and to our relationship with the Soviet Union, we do not perceive it to be in the U.S. interest just at this time.

[From the Des Moines Register, Apr. 26, 1976]

THEY WON'T EVEN TRY

Last December Congress asked the administration to try to negotiate mutual restraints with the Soviet Union in the Indian Ocean area, and held up the appropriation for further work on the U.S. naval "facility" at Diego Garcia in that ocean until this Apr. 15 to give it time to try. The administration waited until Apr. 15 and responded with a curt letter saying it would not even try at this time.

Once again, the administration is losing a chance to halt a dangerous naval race.

The United States and the Soviet Union began moving slowly and cautiously into the vacuum left in the Indian Ocean as Britain wound down its empire and pulled in its armed forces from their once worldwide role.

Sharp U.S. words in 1971 about Soviet moves in the area drew from Soviet chief Leonid Brezhnev that the Soviet Navy had as much right in the Indian Ocean as the U.S. Navy—but that he might consider an "equal bargain."

In 1971, the United Nations General Assembly, urged by its Indian Ocean members, passed a resolution urging both superpowers to keep their navies and naval bases out of the Indian Ocean.

In 1974 a United Nations panel investigated how far the U.S. had gone with its plans in Diego Garcia and how far the Soviet Union had gone in Somalia—bringing indignant denials from the superpowers and their host nations that there were any "foreign bases" where the U.N. panel said there were. The bases are there all right, but their legal and military and construction status is low-profile for now.

At the urging of Senator John Culver (Dem., Ia.) the Senate Armed Services Committee and later all of Congress expressed the hope that the administration would take Brezhnev up on mutual restraint by agreement on the ocean.

The letter of refusal explained that the administration feared a U.S. initiative for arms limitation in the Indian Ocean "might convey the mistaken impression to the Soviets and our friends and allies that we are willing to acquiesce" in the Soviet and Cuban intervention in Angola, on the Atlantic coast of Africa, and the Soviet naval facilities in Somalia, on the Indian Ocean coast.

Senator Culver commented: "This administration seems to have maneuvered itself into a sort of doomsday, Catch 22 situation so far as U.S.-Soviet relations are concerned. If a willingness to negotiate force reductions is ruled out by our government as a sign of weakness, then we are in for a long, bleak period of cold war and unrestrained arms buildup."

Three-ocean navy, here we come—"we" being the United States and Russia.

BACKGROUND TO INDIAN OCEAN REPORT

In 1971, Soviet officials indicated some interest in mutual naval restraint in the Indian Ocean. When American officials sought clarification on this matter, they received no specific answers and the matter was dropped.

In 1974 the Administration requested funds for expansion of the facilities on Diego Garcia. In voting to defer funds pending a Presidential certification that the base was essential, the Senate Armed Services Committee expressed its "hope" that "such an evaluation would include a thorough explanation of the possibility of achieving with the Soviet Union mutual military restraint without jeopardizing U.S. interest in the area of the Indian Ocean."

On July 11, 1975, Senators Culver, Hart of Colorado, and Leahy sent a letter to Secretary of State Kissinger, reporting on discussions they had had with Soviet officials during a Senatorial delegation visit in early July. The Senators wrote: "Although initial Soviet responses were generally vague, we were subsequently given reason to believe that the Soviet Union would respond favorably to an American initiative to seek means of reducing tension in that area. We believe that this signal should not be dismissed or disregarded, for it may indicate a possible reversal of previous Soviet unresponsiveness on this crucial issue."

On July 15, 1975, Assistant Secretary of State Robert J. McCloskey, responding on behalf of the Secretary, expressed interest in the Senators' discussions. Mr. McCloskey went on to say, however, that the Administration "would be prepared . . . to explore the possible methods of limitations" if two conditions were met: (1) evidence of Soviet willingness to negotiate, and (2) construction of Diego Garcia.

On July 28, 1975, the Senate rejected a measure to disapprove Diego Garcia expansion, thereby freeing fiscal year 1975 funds for initial construction.

In December, the Congress enacted an amendment, originally proposed by Senator Culver, to approve but to defer fiscal year 1976 funds for Diego Garcia expansion until April 15, 1976. The intention of the amendment was to provide an example of restraint which would be evident to nations of the region and which would improve the chances of a U.S. initiative toward negotiations. The House-Senate conferees declared that negotiations on mutual arms restraint were "highly desirable and should proceed at the earliest practical time." They also expressed "the full expectation that the Administration will report . . . (to the Congress) regarding negotiation initiatives before April 15, 1976."

On February 25, 1976, the United States and United Kingdom concluded an executive agreement (reported to Congress but not subject to congressional approval) setting conditions for Diego Garcia expansion and use.

On April 16, 1976, Assistant Secretary McCloskey sent the attached report to Senator Culver, calling it "a statement of the Administration's position" on the question of mutual arms restraint in the Indian Ocean.

THE FORMATION OF NATIONAL POLICY BY THE EXECUTIVE BRANCH

Mr. MANSFIELD. Mr. President, I am dismayed and shocked at the report by our former U.S. Ambassador to Saudi Arabia James Akins to the Senate Foreign Relations Committee that the State Department turned a deaf ear to an offer by the Saudi Government last year to finance military and economic programs for the Democratic Republic of Somalia as a means of eliminating the presence of the Soviet Union in that country. Ambassador Akins stated he was informed by a State Department colleague that the reason Washington did not respond to the Saudi offer was that the Department of Defense was pressing its case for development of a U.S. naval base on the island of Diego Garcia in the Indian Ocean.

When, Mr. President, will the executive branch of this Government ever learn its proper role in the formulation of national policy? How many shocks to the American body politic are needed to dispel from the appointed members of the executive branch that national policy under our Constitution is granted to the 537 elected members of this Federal Government. What form of distorted elitism compels appointed members of the executive to withhold essential information from the elected because it might lead to a decision by the elected that might differ from what the appointed think is best?

What, Mr. President, has been the meaning of these past 4 years? What has been the message to those appointed members of the executive branch who fear the facts may lead the elected to a faulty judgment? What a low regard they must maintain for our democratic Republic. What distrust of our democracy.

Mr. President, I believed from the beginning that regardless of Soviet Union activity in the Indian Ocean, the administration and the Navy would have found a reason to build a naval base on the island of Diego Garcia. How convenient the magnified presence in Somalia of Soviet support facilities served these desires. The scare tactics of the cold war calling upon fears rather than sound judgment are far more effective in gaining the assent of Congress especially when no national or strategic case can be made for the facility.

Last fall, Senator Culver submitted an amendment to the Military Construction Appropriations Act asking the administration to open negotiations with the Soviet Union on the limiting of great powers' military activity in the Indian Ocean area. As a result of the Culver amendment, the conference report on the Military Construction Appropriations Act requested that the administration report by April 15, 1976, on negotiating initiatives with regard to mutual arms-restraint in the Indian Ocean area. That report contained approximately 500 words, not pages, but words. Most of these words were unnecessary since the conclusion states,

We do not perceive it [arms limitation initiatives in Indian Ocean] to be in the U.S. interest at this time.

I was going to ask unanimous consent that this report be printed at this point in the Record; but inasmuch as the Senator from Iowa has done so, I will not make that request.

It is evident that the administration has not approached the Soviet Union on the limiting of arms in the Indian Ocean area and has disregarded the efforts and the collective judgment of the elected Members of this Government as expressed by the adoption of the conference report.

Instead, the administration has ignored the congressional judgment and has ordained itself as the only organ for determining the policy of the United States. In fact, last July, when the Senate sent a delegation to Somalia on a fact-finding mission relating

to the Diego Garcia appropriations request, the original itinerary called for a delegation stop in Saudi Arabia, but that stop was eliminated at the direct request of the State Department because the stop might be "embarrassing to the Saudis." Now it is clear, Mr. President, why the Saudi Arabia stop by the Senate delegation might have proven embarrassing. The Senate would have found out about the offer, the administration would have been embarrassed, and the Senate judgment on expanding the facilities on Diego Garcia might very well have been different.

Yesterday afternoon, an official from the Department of Defense, in answer to a query on this matter, admitted that the Defense Department did receive a copy of Ambassador Akina's cable containing the Saudi offer, but the Defense Department was not consulted thereafter by the Department of State.

I do not know, Mr. President, what it takes to exceed the threshold of this Congress. How much arrogance will it tolerate? I hope the leadership of the distinguished Senator from Iowa (Mr. Culver) will continue on this matter and that Congress will respond to this challenge.

Mr. President, I ask unanimous consent that several newspaper articles be printed in the Record at this point in my remarks.

There being no objection, the articles were ordered to be printed in the Record, as follows:

[From the Washington Post, May 5, 1976]

SAUDI OFFER OF AID REPORTED

(By Laurence Stern)

Former U.S. Ambassador to Saudi Arabia James Akina told a Senate subcommittee yesterday that the State Department turned a deaf ear last year to a Saudi government offer to finance military and economic aid programs to Somalia as a means of eliminating the Russian presence there.

Akina said he was informed by a State Department colleague that the reason he received no answer from Washington to the Saudi offer was that the Defense Department was pressing its case for development of a major U.S. naval base in the Indian Ocean on Diego Garcia island.

A powerful Pentagon argument to Congress on the Diego Garcia base last year was the growing threat of the Soviet presence in Somalia.

"This is the most dishonest thing I have heard in 30 years in Congress," exclaimed Sen. Stuart Symington (D-Mo.), who opposed the Indian Ocean base in the Senate Armed Services Committee.

"... The argument was used with great persuasion in Congress that since the Russians were in Somalia it was necessary to establish a base in Diego Garcia," he said.

Congress approved \$13.8 million for a permanent naval base on the Indian Ocean island after a stormy battle over costs and increasing military rivalries in the region.

Subcommittee Chairman Frank Church (D-Idaho), after hearing Akina, said, "the circumstantial evidence certainly suggests a relationship between the desire of the Navy for the Diego Garcia base with a continuation of the Russian presence in Somalia to justify the base."

Akina said the Saudi offer was relayed to Washington through him because of the growing concern of the Saudi government over the Russian naval buildup in Somalia.

This concern, the former ambassador said, was stimulated by U.S. officials who made available to the Saudis photographs of Soviet naval facilities in Somalia. The Saudis, said Akina, "became very frightened."

The terms of the Saudi proposal which he reported to Washington, Akina said, was that the Saudis would provide some \$15 million in economic support and for the supply of U.S. military aid to Somalia.

Akina said he had no idea whether the proposal was acceptable to the Saudis because it was stopped dead in Washington.

[After Akina's testimony, Symington confronted Defense Secretary Donald Rumsfeld and Navy Secretary William Middendorf about the allegations, Reuter reported.]

[Both denied knowledge of the reported Saudi offer. A State Department spokesman declined to comment on the testimony.]

Akina, a 22-year career Foreign Service veteran and specialist in Arab affairs, was dismissed as ambassador to Saudi Arabia last year in the wake of his differences with Secretary of State Henry A. Kissinger over dealings with the Saudi government and on oil policy questions. He is no longer in the Foreign Service.

In another revelation, Akina acknowledged in reply to a question that the State Department denied him permission to go to London in late 1974 in an effort to persuade Prince Fahd to agree to a large auction of Saudi oil—a move that would have moderated the steep climb in Persian Gulf oil prices.

Top Saudi government officials, Akins said, had asked him to intercede with Fahd who was under pressure by other oil-producing countries to call off the auction.

Akins testified under oath that his trip to see Fahd was vetoed by superiors in Washington on grounds that the State Department lacked travel funds for the Jidda-to-London journey and that his presence in London would be "too conspicuous."

On another matter, Akins said he was not aware of the use of Saudi Arabian arms agent Adnon Khashoggi as an intermediary in contacts between President Nixon and King Faisal during and after the 1973 Middle East war, as reported yesterday in *The Washington Post*.

Questioned about *The Post* article, Akins said: "I was not aware of any such communications and I don't believe they took place." If they had, he told the subcommittee, it would have been "highly irregular and improper."

However, he said that the Saudi defense minister, Prince Sultan, had confided to him that Khashoggi had boasted in Riyadh "that he got me removed (as ambassador) in reprisal for having blocked agent fees."

The former diplomat testified ruefully that "I still think it (Khashoggi's boast) is a joke, but I don't think it's as funny anymore."

[From the *Wall Street Journal*, May 5, 1976]

U.S. APPARENTLY FAVORED BUILDING BASE OVER EVICTION OF SOVIET TROOPS IN SOMALIA

WASHINGTON.—The U.S. last year rejected a chance to get Soviet troops evicted from Somalia because it feared this would remove justification for building a controversial new military base, testimony before a Senate subcommittee indicated yesterday.

The U.S. base in question is on Diego Garcia, a remote Indian Ocean island where a "logistical support" facility is under construction. The main reason for building the base, Pentagon officials told Congress last July, is that the Soviet navy has established a major presence in Somalia, an African state facing the Indian Ocean.

According to James Akins, former U.S. ambassador to Saudi Arabia, the Ford administration had a chance to get the Russians thrown out of Somalia but declined to try. He said he assumes—but doesn't know for sure—that the reason was an administration fear that Congress would then refuse to finance the Navy's Diego Garcia base, which already faced strong opposition.

"One would have to be pretty dense not to get this connection," Mr. Akins told the Senate Foreign Relations Subcommittee on Multinational Corporations. He also said a State Department official told him later that that was the reason, though Mr. Akins said he couldn't be positive that the official in question knew why the decision was made.

SAUDI ARABIAN OFFER

The offer to get the Russians evicted came from Saudi Arabia, where Mr. Akins was stationed at the time. He said the Saudis shared U.S. concern about the Soviet presence, so they discussed the matter with Somalia, a poor country just across the Red Sea.

The Saudis offered to take over economic-aid projects being financed by Moscow, and to buy U.S. arms for Somalia as substitutes for Russian weapons then being delivered, according to Mr. Akins. He said only \$15 million of U.S. weapons would have been needed—at Saudi expense—to make the effort.

However, the former ambassador said he couldn't get any Washington response, either positive or negative, to the offer. Nor could he get an official explanation for this official silence. But Mr. Akins testified that the Ford administration may have been afraid that evicting the Soviets would remove the official rationale for building the Diego Garcia base, so it didn't dare encourage the Saudis to go ahead.

PREFERRED SOVIET THREAT

If true, this makes it seem that Washington preferred a Soviet threat and the means to counter it, rather than no threat and no base. Senator Frank Church (D., Idaho), subcommittee chairman, called it "disturbing" and Sen. Stuart Symington (D., Mo.) termed it "outrageous." Senator Church, a presidential aspirant, promised further investigation of the matter.

Saudi officials told Mr. Akins that Somalia was ready to make such an agreement, the former ambassador said. However, he cautioned the subcommittee that the attempt mightn't have worked—it's possible the Somalis couldn't or wouldn't have thrown out the Russians even if Saudi Arabia provided economic aid and U.S. weapons.

However, Mr. Akins testified that he strongly favored making the effort, and he recommended it to the State Department. It was embarrassing, he said, that he couldn't tell the Saudis why the U.S. didn't respond to their offer.

Mr. Akins, one of the more outspoken State Department officials, was fired by Secretary of State Henry Kissinger last December after assorted disagreements. He said yesterday that he never received any explanation for this, but assumes Mr. Kissinger found him too abrasive. Mr. Akins for years was the department's senior expert on petroleum matters.

Although yesterday's testimony didn't say specifically when the Saudi offer about Somalia was made, Mr. Akins and Sen. Church said it occurred about the time the Senate was considering the Diego Garcia matter. Last July 27 the Senate voted 53 to 43 to finance construction of the naval base there.

[From the New York Times, May 5, 1976]

EX-ENVOY CHARGES U.S. IGNORED OFFER ON SOVIET SOMALIA ROLE

(By Robert M. Smith)

WASHINGTON, May 4.—The former American ambassador to Saudi Arabia told a Senate subcommittee today that a Saudi proposal to reduce Soviet influence in Somalia had been ignored by the United States.

Senator Frank Church, the Idaho Democrat who heads the subcommittee on multinational corporations, noted that the Saudi offer came about the time that Congress was considering the Administration's request for a naval base in Diego Garcia in the Indian Ocean. We asked the diplomat, James E. Akins, if there was a connection.

"One would have to be pretty dense not to make that connection," Mr. Akins replied, "but I have no proof."

The Administration's case for a Diego Garcia base was linked to the Soviet naval presence in Somalia.

Mr. Akins has in effect been dismissed from the Foreign Service since his tour in Saudi Arabia. He said that one of the reasons for his dismissal was that fact that he was outspoken, "quite abrasive," and irritated Secretary of State Henry A. Kissinger.

Mr. Akins was also asked by the Senate Foreign Relations subcommittee about bribery in Saudi Arabia. Both the Northrop Corporation and the Lockheed Aircraft Corporation have admitted trying to pay bribes in Saudi Arabia to sell their airplanes.

"It is not necessary to engage in bribery in the Middle East or anywhere else in the world," the former ambassador said. "I told all the American firms in Saudi Arabia that you didn't have to pay bribes."

Mr. Akins said that he had also taken up the bribery question "with every top Government official" in Saudi Arabia except the King and had been assured that the Saudi Government would protect companies that refused to pay bribes.

He said that he was "almost certain" that the Bechtel Corporation, which does substantial business in the Middle East, and the major oil companies had not paid bribes in Saudi Arabia.

Asked to comment on Mr. Akins' report on the Saudi offer concerning Somalia, a State Department spokesman said that he would have to look into the matter.

Mr. MANSFIELD. Mr. President, I yield as much of my time as I have left to the distinguished Senator from Missouri.

Mr. SYMINGTON. Mr. President, I thank the able majority leader. First, I commend him for his logical and penetrating discussion of what has been going on lately with respect to Diego Garcia. I also commend the distinguished Senator from Iowa (Mr. Culver), who has followed this issue closely, presenting more information about this problem than anybody in the Senate to the best of my knowledge.

I am here this afternoon because I have been interested in Diego Garcia for some years; especially as chairman of the Subcommittee on Military Construction of the Senate Armed Services Committee. Last year the subcommittee authorized \$13.8 million for further construction on Diego Garcia.

We have continued building on that island regardless of the reservations expressed for sometime by many Members of the Senate, because we were told by this administration that the Soviet presence in Somalia presented a threat to U.S. defense interests.

Today this matter assumes even more significant proportions, because under oath, the former ambassador to Saudi Arabia, James Akins, recently testified that while

serving as ambassador to that country he notified the Department of State that the Saudi Arabians would be glad to put up all the economic aid and all the military aid Somalia wanted in order to prevent a strong Soviet presence in Somalia.

He said he never heard a word from the Department of State after presenting this information.

Mr. Akins further testified, under oath, I might emphasize, that when he returned to the United States he asked a Department of State official why nobody had replied to the offer of Saudi Arabia; he was told the reason was that the Navy wanted to get congressional approval for the development of a base on Diego Garcia.

In other words, Mr. President, we have here a most extraordinary reaction by the Department of State to its own ambassador. There would be no apparent reason for not pursuing this offer through our ambassador; and it would appear something was deliberately being done under the table to prevent the Saudi Arabia offer from coming before Congress.

I addressed the Senate on this matter last July, Mr. President, when I urged passage of the Mansfield resolution on Diego Garcia. I ask unanimous consent that that statement be printed in the Record at this point.

There being no objection, the material was ordered to be printed in the Record, as follows:

FOR MANSFIELD RESOLUTION ON DIEGO GARCIA

Now that the Mansfield Resolution, S. 160, which would deny funds for the further expansion of the United States naval facility at Diego Garcia, is on the floor for a final Congressional determination of the issue, I would make the following brief observations.

By its own admission, the Administration has made no serious effort to initiate discussions with the Soviet Union on the possibility of mutual arms restraint in the Indian Ocean.

Last year the Senate Armed Services Committee noted that the serious defense and foreign policy questions related to the Administration's request for expanding the facility at Diego Garcia required further consideration; and urged the Administration to make a "thorough exploration of the possibility of achieving with the Soviet Union mutual military restraint without jeopardizing U.S. interests in the Indian Ocean."

This year, at the Senate Armed Services Committee hearing on Diego Garcia on June 10, the Administration representative was asked whether any effort had been made to initiate with the Soviet Union a discourse on the possibility of mutual arms restraint. His answer was "no."

Such lack of initiative would appear inexcusable. We can always build up militarily in the Indian Ocean, but the opportunity for negotiation should not be bypassed.

The nations in the Indian Ocean region have repeatedly urged adoption of the concept that this ocean be made a "zone of peace"; and several resolutions to that effect have been passed in the United Nations.

Yet the Administration has opposed the establishment of such a peace zone on the grounds that it would restrict "freedom of the seas."

President Ford himself, in his letter to the Congress on May 23, 1975, justifying the Diego Garcia expansion, noted that the project "has been criticized by a number of region states which favor the concept of a special legal regime limiting the presence of the great powers in the Indian Ocean, as expressed in the several Indian Ocean Zone of Peace resolutions adopted by the United Nations General Assembly." And in the same letter, the President observed that United States policy has been to oppose such measures because they "would constitute an unacceptable departure from customary international law concerning freedom of navigation on the high seas."

This interpretation of American interest in freedom of the seas as precluding negotiations to achieve a "zone of peace"—or arms restraint—in the Indian Ocean is difficult to understand. It seems almost unconscionable that our Nation would pass up the opportunity to try to prevent further naval competition in a far-away ocean under this pretext.

It is true that the Soviet Union has gradually expanded its presence in the Indian Ocean, but this presence is very limited and provides no real military threat to the United States and Allied forces in the area which collectively possess greater strength than the Soviets and have access to a larger number of ports.

Indeed the French alone have more combatant ships permanently deployed in the Indian Ocean than either the Soviet Union or the United States. They also possess more port facilities.

And when the United States brings a carrier task force into the area, the scales of power in the Indian Ocean tip in favor of the United States.

The Administration has cited the development of a Soviet base at Berbera as a major reason for expanding our facility at Diego Garcia. Yet even with a new base at Berbera the Soviet position in the Indian Ocean is still modest; and in the absence of a significant new Soviet threat in this ocean, it would not only be a waste of money, but also a possible provocation for the United States to expand its presence at Diego Garcia. In this regard, consider CIA Director Colby's testimony in 1974 that "should the United States make a substantial increase in its naval presence in the Indian Ocean, a Soviet buildup faster and larger . . . would be likely."

It would appear that the prudent course for us to follow at this time, therefore, would be to enter into negotiations with the Soviet Union and other powers involved in the Indian Ocean to prevent what could turn out to be a costly naval arms race.

Considering that the Administration has thus far not taken the initiative, passage of the Mansfield Resolution, S. 160, disapproving the Diego Garcia expansion, might help achieve such negotiations and would certainly save the taxpayers of America millions of dollars at no expense to security.

Mr. SYMINGTON. Unfortunately that resolution was defeated; it failed on July 28, 1975, by a vote of 43 to 53.

As I look over my previous remarks, and reflect on subsequent events regarding this matter, this appears another sad illustration of adequate information being denied to Congress by the executive branch. Mr. President, I understand the distinguished junior Senator from Iowa is requesting an investigation, am I correct?

Mr. CULVER. The Senator is correct.

Mr. SYMINGTON. I support this request because it would appear that we have been consistently misled as the able Senator has well brought out. This new information is almost beyond belief. I hope we get into it in detail and find out what the facts are.

The PRESIDING OFFICER. Who yields time?

Mr. PELL. Mr. President, may I speak on Senator Mansfield's time?

Mr. CULVER. Mr. President, how much time do I have remaining on my special order?

The PRESIDING OFFICER. The Senator from Iowa had 4 minutes remaining when he finished speaking, but did not reserve it.

Mr. CULVER. I ask unanimous consent, Mr. President, that the 4 minutes remaining on my special order be made available to me.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KENNEDY. Parliamentary inquiry, Mr. President: Was there time remaining to the majority leader?

The PRESIDING OFFICER. The Senator from Montana had 4 minutes remaining.

Mr. CULVER. I think the Senator from Montana had yielded his time to the Senator from Missouri.

The PRESIDING OFFICER. That is correct.

Mr. KENNEDY. I ask unanimous consent that his time be retained, as well.

The PRESIDING OFFICER. Without objection, it is so ordered. Therefore, there is a total of 7 minutes remaining. The Senator from Iowa has 7 minutes.

Mr. CULVER. I yield 4 minutes to the Senator from Rhode Island.

Mr. PELL. Mr. President, if ever there was a pig in a poke, our proposed base at Diego Garcia is it.

I too was shocked to learn that the Department of State apparently ignored a Saudi Arabian proposal, transmitted early last year through our Ambassador in Jidda, to diminish Soviet influence in Somalia. I understand that the Saudi's offered to give Somalia the amount of economic aid promised to Somalia by the Soviet Union if the United States would furnish Somalia with the arms promised by Moscow. Coincidentally, this proposal by Saudi Arabia came at about the same time that Congress was considering the administration's request for the expansion of facilities at Diego Garcia in the Indian Ocean.

I well remember those requests, because I was interested in the problem as a member of the Committee on Foreign Relations and had briefings by the Department of Defense and by the Central Intelligence Agency. I recall that the difference in their assessments of the Soviet strength in the Indian Ocean was tremendous. The number of Soviet personnel involved, according to the Department of Defense, was about many times the number estimated by the CIA, if my recollection is correct. Later the CIA apparently was brought to heel and brought its estimate a little more in line with the Defense Department. But I do remember this discrepancy in the estimates.

This is one more bit of evidence that the administration has not kept to the strict line of accuracy and truth in letting the facts be known to the Senate and to the American people.

I recall that the Soviet presence in Somalia was a major point in the administration's justification for the need to expand the Diego Garcia facility. Secretary of Defense Schlesinger, in testimony before the Armed Services Committee on June 10, 1975, explained in detail what the Soviets were doing in Somalia and said that:

It is evident that the USSR is in the process of establishing a significant new facility capable of supporting their naval and air activities in the northwest Indian Ocean.

He went on to say that:

Since an effective-military balance is essential to the preservation of regional security and stability in this area of great importance . . . we feel we should have logistical facilities which will permit us to maintain a credible presence.

The impression that these statements gave was that nothing could be done to prevent a Soviet buildup, and that therefore we needed Diego Garcia as part of a balancing act. Now we find that an opportunity was apparently either overlooked or deliberately ignored to eliminate this presumed Soviet threat.

We see how this was done. First, you exaggerate the Soviet presence through intelligence estimates, and then you do not respond to the proposal of the Government of Saudi Arabia to diminish that threat and virtually to eliminate it. It was very well done from the viewpoint of achieving the result the administration desired but not straightforward action, in my view.

More recently, the administration has been unresponsive to congressional proposals that negotiations be undertaken with the Soviet Union on mutual limitations on military deployments in the Indian Ocean.

Mr. President, these actions by the administration raise serious questions about this country's intentions in the Indian Ocean area. Statements about the need to maintain a balance in the area ring hollow if no effort is made to eliminate the Soviet presence which is to be balanced.

Mr. President, the Congress deserves a full explanation from the administration on this matter, and I am pleased that the distinguished Senator from Iowa, Mr. Clark, has requested such an explanation. In these days of electoral anguishing over who is No. 1 in military strength, the American people deserve to know why diplomatic alternatives to military confrontation are not being pursued.

I believe, too, that the measure the Senator from Iowa has proposed is an excellent one, and I ask that he make me a cosponsor of that proposal.

I yield the remainder of my time.

Mr. KENNEDY. Mr. President, I ask unanimous consent to be included as a cosponsor of the resolution of the Senator from Iowa, when it is submitted this afternoon.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CULVER. Mr. President, if the Senator will yield, could I also ask unanimous consent that Senator Pell be added as a cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SYMINGTON. Mr. President, will the Senator yield? I would also ask that I be added as a cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KENNEDY. Mr. President, I join in commending the Senator from Iowa for focusing the attention of the Senate on this important matter at this time. Each of my colleagues has spoken about his interests in Diego Garcia over a period of years.

I, too, have shared an interest and concern about the escalation of the arms race in the Indian Ocean. Two years ago, when I traveled to the Soviet Union, this was an area which I explored with General Secretary Brezhnev, in the course of a conversation lasting 4 hours.

The Soviet leader indicated to me that this particular issue had not been explored by the United States with the Soviet Union.

I have followed this issue for the last few years, and I have heard the weak and lame explanations by the Department of State that, first, the Soviet Union would not talk about Indian Ocean as is control, and, second, if they were willing to talk about it, it would be impossible to make progress because of the different kinds of U.S. and Soviet deployments in the Indian Ocean.

Then we heard the argument last year, when the Senator from Iowa's resolution was before the Senate, that we should not accept his approach, because the Russians were expanding their base in Somalia and, therefore, it was inappropriate for us to consider any kind of arms limitation with the Soviet Union in the Indian Ocean.

Then we hear the weak explanation by the administration that it is inappropriate for us to consider any arms limitation in the Indian Ocean because of the activities of the Soviet Union in Angola.

It seems to me that the reason and the justification of the administration are convoluted. When we find the Soviet and Cuban presence in Angola, it seems to me, it would make much greater sense for us to try to limit Soviet involvement in the Indian Ocean and in Somalia.

One of the primary ways of reducing their presence, their prestige, their influence in Africa, it seems to me, would be to seek real arms limitations in the Indian Ocean, as well as a reduction of Soviet influence and presence in Somalia. Rather than accepting the administration's concept that we cannot consider negotiating about the Soviet Union's presence in the Indian Ocean because it is active in Angola, it seems to me, that is one important reason, among others, for us to consider negotiating with the Soviet Union in ways which are consistent with the interests of the United States. We are not talking about a one-sided negotiation that is only going to be in the interests of the Soviet Union. We are talking about negotiations that are going to be in the interests of the United States in that part of the world—negotiations that can have enormous implications in terms of the general relationship between the Soviet Union and the United States, let alone the billions of dollars which the American taxpayer will have to pay if we go to a three-ocean Navy; which may very well be the danger in terms of escalation if we continue building the Diego Garcia base, and the Russians continue their naval buildup.

A final point, Mr. President: It is difficult for me to understand the administration's posture in terms of great power relations in the Indian Ocean. In reading the Secretary of State's Lusaka speech last week, one sees that he spent only about a paragraph and a half talking about the great power conflict in Africa. On the one hand, when issue is actions by Congress and the Senate of the United States on arms control in the Indian Ocean, the Secretary of State waves the great power threat and the great power danger in terms of the African countries. But on the other hand—when he is talking in Africa to Africans—he minimizes the importance and consequence of the great power aspect. But he cannot have it both ways, Mr. President.

The administration's report of April 15 on this subject therefore marks what I consider to be the total abdication of forthright comment and statement in this extremely important area of American foreign policy—where there are profound and deep implications for our security and for the security of our allies in that part of the world. This is why I look forward to supporting the Senator from Iowa's resolution, hopefully to a successful conclusion.

Mr. BARTLETT. I thank the distinguished Senator from Virginia for yielding.

I think it is important in discussing the matter that has been talked about this morning, the question of Diego Garcia, on the one hand, and the question of defusing Somalia, on the other, or reducing the military capability of the Soviets in Somalia, on the other, that they should be looked at separately.

First, I am very concerned with the resolution introduced by the distinguished Senator from Iowa which would once again delay construction on Diego Garcia. I think this matter must be looked at just in its own importance.

There is no question but what the Soviets in Somalia have continued increasing their capability there far beyond what it was last Fourth of July when I was in Berbera. They now have two small ships capable of firing Styx missiles which they did not have there for the Somalians. They have a very large facility, floating drydock, which will take care of the largest ship the Soviets have, far greater than any requirement that the Somalians have.

They have a huge missile-handling facility which will handle any missile which the Soviets have, and they have continued expanding their capability in various parts of Somalia.

So the need for Diego Garcia and the modest increase that is going to take place, unless there is some action to the contrary, is not going to create parity or equality at all. It is going to be a facility that does not have nearly the capability that the Soviets have in Somalia. So I do not think that an investigation into the statement by former Ambassador Jim Akins should in any way delay or in any way affect what we are doing in Diego Garcia.

On the other matter, I have had discussions in the past with the Senator from Iowa on this matter, with the Ambassador from Somalia, Ambassador Addou, with our own State Department, with Secretary Clements in the Defense Department, and with others.

I look forward to a reasonable investigation of this matter. I would like to see just who said what and what the attitude of various people of the State Department is.

I do want to point out a couple of things. One is that Secretary Clements has cooperated with me in my effort to have a port call visit put back on schedule,

an invitation for the Navy to pay a visit to Mogadishu was issued prior to my going to Somalia on July 4 of last year.

This invitation was rescinded shortly after my return. Since that time I have been talking with the Ambassador from Somalia to have that invitation for the visit offered again. It has not been forthcoming, even though he said he hoped it would be by April or May of this year.

I want to emphasize that Secretary Clements has been working hard trying to impress upon Ambassador Addou that this would be helpful in friendly relations between the two countries and would be a step toward an opportunity for some kind of arrangement between our countries which would reduce the Soviet capability.

I have been very much interested in doing this. I hope that the effort toward this can be accomplished.

I want to say to the Senator from Iowa, that in my opinion, I think it is a long shot because of the momentum that is going on in Somalia by the Soviets to increase their capability, by the reluctance of the President to reissue his invitation for the port call visit. It certainly indicates some second thoughts on his part about his willingness, perhaps, to discuss a defusing of the Somalia area as far as the Soviets are concerned.

I do agree very strongly that it is most important for this country to try with some kind of quid pro quo basis, some kind of negotiations, to have Somalia accord this Nation treatment that would be evenhanded to the Soviets, which defined in other terms would mean reducing the Soviet capability in this area.

This would go a long way for people in the little countries around the Indian Ocean and Africa itself.

So I strongly support the efforts that have been going on by some of us to reach some kind of an accord or agreement whereby the presence that the Soviets have in Somalia could be reduced.

I do hope that this investigation will proceed. I do hope that it will proceed with stability and with reasonableness so that it will not go far beyond to matters of Diego Garcia that I do not believe are called for prior to such an investigation.

I am happy to yield to the Senator.

Mr. CULVER. I thank the Senator very much.

How much time do I have, Mr. President?

The PRESIDING OFFICER (Mr. Nelson). The Senator from Oklahoma has 1 minute remaining.

Mr. CULVER. I thank the Senator for yielding.

I very much appreciate his constructive support of a full inquiry into the circumstances surrounding this most recent incident involving the former U.S. Ambassador to Saudi Arabia and the issue of Saudi Arabian relations with Somalia and its impact on Soviet activities there.

I wish to commend him for his most conscientious involvement in this general area.

We have not always agreed in terms of the appropriate approach and its timing, but I think he has been most sincere in his efforts to improve, particularly, the relationship between the U.S. Government and the Somalian Government.

I have worked with him on this U.S. naval visitation. I am very hopeful that this invitation will be forthcoming this spring. I think that will be a most important breakthrough.

The PRESIDING OFFICER. The time of the Senator has expired under the previous order.

Mr. CULVER. I thank the Chair.

Mr. BARTLETT. I thank the distinguished Senator.